

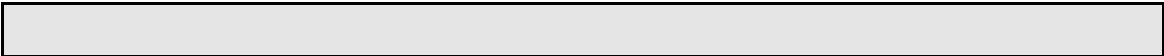
Revenue Review Meeting

March 17, 2005

AGENDA

REVENUE REVIEW MEETING

March 17, 2005

- 
- ❖ **OTHER AGENCY REVENUES**
 - ❖ **2003-05 BIENNIUM**
 - ❖ **2005-07 BIENNIUM**
 - ❖ **BACKGROUND**
 - ❖ **ADOPTION OF THE OFFICIAL FORECAST**

General Fund-State Cash Estimates - Other Agencies
Comparison of March 2005 to November 2004 Forecast
2003-05 Biennium
(Amounts in Millions)

Source/Agency	November 2004 Baseline	Non-Economic Changes	Forecast Changes	March 2005 Baseline	Total Changes
Department of Licensing	\$43.5	\$0.0	\$0.3	\$43.8	\$0.3
Insurance Commissioner Insurance Premiums	\$444.6	\$0.0	-\$0.9	\$443.8	-\$0.9
Liquor Control Board Liquor Profits and Fees	\$88.7	\$0.0	\$0.3	\$89.0	\$0.3
Beer and Wine Surtax	\$3.7	\$0.0	\$0.0	\$3.7	\$0.0
Lottery Commission Lottery Revenue	\$4.3	\$0.0	\$0.0	\$4.3	\$0.0
State Treasurer Interest Earnings	\$44.8	\$0.0	\$4.9	\$49.7	\$4.9
Office of Financial Management Other Agencies	\$25.3	\$0.0	-\$2.1	\$23.2	-\$2.1
Total General Fund-State	\$655.0	\$0.0	\$2.4	\$657.4	\$2.4

General Fund-State Cash Estimates - Other Agencies
Comparison of March 2005 Baseline to Alternative Forecasts
2003-05 Biennium
(Amounts in Millions)

Source/Agency	Optimistic	Baseline	Pessimistic
Department of Licensing	\$44.5	\$43.8	\$43.1
Insurance Commissioner Insurance Premiums	\$449.4	\$443.8	\$438.1
Liquor Control Board Liquor Profits and Fees	\$90.0	\$89.0	\$88.1
Beer and Wine Surtax	\$3.7	\$3.7	\$3.7
Lottery Commission Lottery Revenue	\$4.3	\$4.3	\$4.3
State Treasurer Interest Earnings	\$58.3	\$49.7	\$44.4
Office of Financial Management Other Agencies	\$28.7	\$23.2	\$17.7
Total General Fund-State	\$678.8	\$657.4	\$639.3
Change from 3/05 Baseline	\$21.4		-\$18.1
Change from 11/04 Baseline	\$23.8	\$2.4	-\$15.6

* Detail may not total due to rounding.

General Fund-State GAAP Estimates - Other Agencies
Comparison of March 2005 to November 2004 Forecast
2003-05 Biennium
(Amounts in Millions)

Source/Agency	November 2004 Baseline	Non-Economic Changes	Forecast Changes	March 2005 Baseline	Total Changes
Department of Licensing	\$45.1	\$0.0	\$0.3	\$45.4	\$0.3
Insurance Commissioner Insurance Premiums	\$444.6	\$0.0	-\$0.9	\$443.8	-\$0.9
Liquor Control Board Liquor Profits and Fees	\$88.7	\$0.0	\$0.3	\$89.0	\$0.3
Beer and Wine Surtax	\$3.7	\$0.0	\$0.0	\$3.7	\$0.0
Lottery Commission Lottery Revenue	\$4.3	\$0.0	\$0.0	\$4.3	\$0.0
State Treasurer Interest Earnings	\$43.8	\$0.0	\$5.7	\$49.4	\$5.7
Office of Financial Management Other Agencies	\$25.7	\$0.0	-\$2.4	\$23.3	-\$2.4
Total General Fund-State	\$655.9	\$0.0	\$2.9	\$658.8	\$2.9

General Fund-State GAAP Estimates - Other Agencies
Comparison of March 2005 Baseline to Alternative Forecasts
2003-05 Biennium
(Amounts in Millions)

Source/Agency	Optimistic	Baseline	Pessimistic
Department of Licensing	\$46.1	\$45.4	\$44.7
Insurance Commissioner Insurance Premiums	\$449.4	\$443.8	\$438.1
Liquor Control Board Liquor Profits and Fees	\$90.0	\$89.0	\$88.1
Beer and Wine Surtax	\$3.7	\$3.7	\$3.7
Lottery Commission Lottery Revenue	\$4.3	\$4.3	\$4.3
State Treasurer Interest Earnings	\$58.0	\$49.4	\$44.1
Office of Financial Management Other Agencies	\$30.3	\$23.3	\$16.3
Total General Fund-State	\$681.7	\$658.8	\$639.2
Change from 3/05 Baseline	\$22.9		-\$19.6
Change from 11/04 Baseline	\$25.8	\$2.9	-\$16.7

* Detail may not total due to rounding.

General Fund-State Cash Estimates - Other Agencies
Comparison of March 2005 to November 2004 Forecast
2005-07 Biennium
(Amounts in Millions)

Source/Agency	November 2004 Baseline	Non-Economic Changes	Forecast Changes	March 2005 Baseline	Total Changes
Department of Licensing	\$45.3	\$0.0	\$0.9	\$46.2	\$0.9
Insurance Commissioner Insurance Premiums	\$491.4	\$0.0	-\$1.4	\$490.0	-\$1.4
Liquor Control Board Liquor Profits and Fees	\$86.7	\$0.0	-\$0.6	\$86.1	-\$0.6
Beer and Wine Surtax	\$3.9	\$0.0	\$0.0	\$3.9	\$0.0
Lottery Commission Lottery Revenue	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0
State Treasurer Interest Earnings	\$72.9	\$0.0	\$10.6	\$83.6	\$10.6
Office of Financial Management Other Agencies	-\$16.5	\$0.0	\$4.7	-\$11.8	\$4.7
Total General Fund-State	\$683.6	\$0.0	\$14.2	\$697.8	\$14.2

General Fund-State Cash Estimates - Other Agencies
Comparison of March 2005 Baseline to Alternative Forecasts
2005-07 Biennium
(Amounts in Millions)

Source/Agency	Optimistic	Baseline	Pessimistic
Department of Licensing	\$47.5	\$46.2	\$44.8
Insurance Commissioner Insurance Premiums	\$502.3	\$490.0	\$477.8
Liquor Control Board Liquor Profits and Fees	\$87.8	\$86.1	\$84.3
Beer and Wine Surtax	\$3.9	\$3.9	\$3.8
Lottery Commission Lottery Revenue	\$0.0	\$0.0	\$0.0
State Treasurer Interest Earnings	\$133.5	\$83.6	\$39.6
Office of Financial Management Other	\$0.7	-\$11.8	-\$24.3
Total General Fund-State	\$775.7	\$697.8	\$625.9
Change from 3/05 Baseline	\$77.8		-\$71.9
Change from 11/04 Baseline	\$92.0	\$14.2	-\$57.7

* Detail may not total due to rounding.

General Fund-State GAAP Estimates - Other Agencies
Comparison of March 2005 to November 2004 Forecast
2005-07 Biennium
(Amounts in Millions)

Source/Agency	November 2004 Baseline	Non-Economic Changes	Forecast Changes	March 2005 Baseline	Total Changes
Department of Licensing	\$46.8	\$0.0	\$1.0	\$47.8	\$1.0
Insurance Commissioner Insurance Premiums	\$491.4	\$0.0	-\$1.4	\$490.0	-\$1.4
Liquor Control Board Liquor Profits and Fees	\$86.7	\$0.0	-\$0.6	\$86.1	-\$0.6
Beer and Wine Surtax	\$3.9	\$0.0	\$0.0	\$3.9	\$0.0
Lottery Commission Lottery Revenue	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0
State Treasurer Interest Earnings	\$74.2	\$0.0	\$10.2	\$84.4	\$10.2
Office of Financial Management Other Agencies	-\$15.6	\$0.0	\$4.0	-\$11.6	\$4.0
Total General Fund-State	\$687.3	\$0.0	\$13.2	\$700.5	\$13.2

General Fund-State GAAP Estimates - Other Agencies
Comparison of March 2005 Baseline to Alternative Forecasts
2005-07 Biennium
(Amounts in Millions)

Source/Agency	Optimistic	Baseline	Pessimistic
Department of Licensing	\$49.2	\$47.8	\$46.3
Insurance Commissioner Insurance Premiums	\$502.3	\$490.0	\$477.8
Liquor Control Board Liquor Profits and Fees	\$87.8	\$86.1	\$84.3
Beer and Wine Surtax	\$3.9	\$3.9	\$3.8
Lottery Commission Lottery Revenue	\$0.0	\$0.0	\$0.0
State Treasurer Interest Earnings	\$134.3	\$84.4	\$40.5
Office of Financial Management Other Agencies	2.4	-11.6	-25.6
Total General Fund-State	\$779.9	\$700.5	\$627.1
Change from 3/05 Baseline	\$79.4		-\$73.5
Change from 11/04 Baseline	\$92.5	\$13.2	-\$60.3

* Detail may not total due to rounding.

Public Safety and Education Assessment (PSEA) Account

PSEA Account Forecast for March 2005

	Amount	Percent Change
1998 Fiscal Year PSEA actual	\$54.944 Million	5.9%
1999 Fiscal Year PSEA actual	\$58.939	7.3%
1997-99 Biennium PSEA forecast	\$113.883	11.0%
2000 Fiscal Year PSEA actual	\$62.743 Million	6.5%
2001 Fiscal Year PSEA actual	\$63.623	1.4%
1999-01 Biennium PSEA forecast	\$126.367	11.0%
2002 Fiscal Year PSEA actual	\$65.864 Million	3.5%
2003 Fiscal Year PSEA actual	\$74.512	13.1%
2001-03 Biennium PSEA forecast	\$140.376	11.1%
2004 Fiscal Year PSEA actual	\$76.694 Million	2.9%
2005 Fiscal Year PSEA forecast	\$75.261	-1.9%
2003-05 Biennium PSEA forecast	\$151.955	8.2%
2006 Fiscal Year PSEA forecast	\$78.903 Million	4.8%
2007 Fiscal Year PSEA forecast	\$82.753	4.9%
2005-07 Biennium PSEA forecast	\$161.656	6.4%

History of 2003-05 Biennium Forecasts

February 2002	\$144.159	NA	NA
June 2002	\$144.590	+\$0.431	0.3%
September 2002	\$149.325	+\$4.735	3.3%
November 2002	\$151.546	+\$2.221	1.5%
March 2003	\$152.440	+\$0.893	0.6%
June 2003	\$151.588	-\$0.851	-0.6%
September 2003	\$168.233	+\$16.645	11.0%
November 2003	\$166.398	-\$1.835	-1.1%
February 2004	\$164.778	-\$1.621	-1.0%
June 2004	\$160.330	-\$4.447	-2.7%
September 2004	\$159.783	-\$0.548	-0.3%
November 2004	\$157.815	-\$1.967	-1.2%
March 2005*	\$151.955	-\$5.860	-3.7%

History of 2005-07 Biennium Forecasts

February 2004	\$179.944	NA	NA
June 2004	\$176.521	-\$3.423	-1.9%
September 2004	\$175.523	-\$0.998	-0.6%
November 2004	\$173.237	-\$2.286	-1.3%
March 2005*	\$161.656	-\$11.581	-6.7%

*Incorporates State Supreme Court decision that reduces ticketing for driving with a suspended license

Summary of Changes to the General Fund-State Cash Forecast

Comparison of the March 2005 and the November 2004 Forecasts

2003-05 and 2005-07 Biennia

Millions of Dollars

	November 2004 Forecast- ¹	March 2005 Forecast Change	March 2005 Non Economic Changes-2	March 2005 Forecast	Total Change
2003-05 Biennium	\$23,172.7	\$301.1	(\$242.9)	\$23,230.9	\$58.2
2005-07 Biennium	\$24,721.8	\$438.3	(\$274.8)	\$24,885.3	\$163.5
Total Change:		\$739.4	(\$517.7)		\$221.7

1: Adopted by the Forecast Council November 2004.

2: Impact of two State Supreme Court Decisions requiring the estate tax to conform to the phase-out of the federal tax and reducing b&O tax rate for certain meat products.

Changes to the General Fund-State Cash Forecast-by Agency

Comparison of the March 2005 to the November 2004 Forecast

2003-05 Biennium

Millions of Dollars

	<u>Nov. 2004 Forecast-1</u>	<u>March 2005 Forecast Change</u>	<u>March 2005 Non Economic Changes-2</u>	<u>March 2005 Forecast</u>	<u>Total Change*</u>
Department of Revenue	\$22,517.8	\$298.6	(\$242.9)	\$22,573.5	\$55.7
All other Agencies	\$655.0	\$2.4	\$0.0	\$657.4	\$2.4
Total General Fund-State*	\$23,172.7	\$301.1	(\$242.9)	\$23,230.9	\$58.2

*Detail may not add to totals due to rounding.

1: Adopted by the Forecast Council November 2004.

2: Impact of two State Supreme Court Decisions requiring the estate tax to conform to the phase-out of the federal tax and reducing b&O tax rate for certain meat products.

March 2005

Cash Basis

Alternative Forecasts

2003-05 Biennium

Millions of Dollars

	<u>2003-05 Biennium</u>	<u>Difference From the March 2005 Baseline</u>
March 2005 Baseline (50%)	\$23,231	
March 2005 Alternative Forecasts		
Optimistic (25%)	\$23,352	\$122
Pessimistic (25%)	\$23,109	(\$122)
GCEA*	\$23,239	\$8

* Based on the Governor's Council of Economic Advisors Assumptions.

2003-05 Biennial Balance Sheet
Including Enacted 2004 Supplemental Budget
General Fund-State
Dollars in Millions

	2003-05
RESOURCES	
Beginning Fund Balance	404.6
November 2004 Forecast	23,172.7
Non-Economic Change (Estate and Agrilink)	(242.9)
March 2005 Forecast Update	301.1
Current Revenue Totals	23,230.9
2003 Fund Transfers and Other Adjustments	139.4
Federal Fiscal Relief - Grant	90.2
2004 Supplemental: Money Transfers from Other Funds	62.2
Changes in Reserves and Other Adjustments	154.6
Total Resources (Includes Fund Balance)	24,081.8
APPROPRIATIONS AND SPENDING ESTIMATES	
Biennial Appropriation	23,081.4
2004 Supplemental Appropriations	145.5
Governor's Vetoes/Lapsed Appropriations	19.2
Spending Level	23,246.2
UNRESTRICTED GENERAL FUND BALANCE	
Projected Ending Fund Balance	835.6

General Fund-State Cash Forecast
Summary of March 2005 Changes to GFS Forecast
2003-05 Biennium
Millions of Dollars

	Collection Experience: Nov. 11 - March 10, 2005			Change during the Remainder of the Biennium (3/11/2005 - 6/30/05)		Total Change 2003-05 Bien.
	<u>Actual Variance*</u>	<u>Special Factors***</u>	<u>Variance Excluding Special Factors</u>	<u>Forecast Change</u>	<u>Non Econ. Change</u>	
Revenue Act**	\$102.626	15.9	\$86.7	53.0	(\$38.6)	\$117.0
Non Revenue Act	\$76.606	12.4	\$64.2	66.4	-204.3	(\$61.3)
Property tax	(\$3.122)		(\$3.1)	11.6		\$8.5
Real estate ex. tax	\$60.246		\$60.2	53.7		\$113.9
Cigarette	(\$0.366)		(\$0.4)	0.1		(\$0.3)
other	\$19.848	12.4	\$7.4	1.1	-204.3	(\$183.4)
Department of Revenue Subtotal	\$179.232	\$28.3	\$150.9	\$119.4	(\$242.9)	55.7
Department of Licensing	\$0.180		\$0.2	\$0.1	0.0	0.3
Subtotal:Dor/Licensing	\$179.412	28.3	151.1	119.5	(242.9)	56.0
All other	#N/A		#N/A	\$2.2	0.0	2.2
Total General Fund-State	<u>\$179.4</u>	<u>\$28.3</u>	<u>\$151.1</u>	<u>\$121.6</u>	<u>(\$242.9)</u>	<u>\$58.2</u>

*Variance since the last (November 2004) forecast (Nov. 11 - March 10, 2005.)

**Retail sales, business & occupation, use, public utilities and tobacco products taxes and penalties & interest.

*** Higher unclaimed property transfers; likely due to more payments than expected due to change in the holding period of unclaimed property; large unexpected audit payment.

March 2005 Forecast
Summary of Non Economic Changes
Millions of Dollars

	State Supreme Court Decision Invalidation of the Estate Tax (Hemphill)			State Supreme Court Decision Lower B&O rate for Meat Products (Agrilink)			
	<u>Refunds</u>	<u>Future Loss</u>	<u>Total</u>	<u>Refunds</u>	<u>Future Loss</u>	<u>Total</u>	<u>Total Impact</u>
Fiscal 2004							
Fiscal 2005	<u>-156.4</u>	<u>-47.9</u>	<u>-204.3</u>	<u>-38.6</u>	<u>0</u>	<u>-38.6</u>	<u>-242.9</u>
03-05 Biennium	-156.4	-47.9	-204.3	-38.6	0	-38.6	-242.9
Fiscal 2006	0	-120.8	-120.8	0	-11.1	-11.1	-131.9
Fiscal 2007	<u>0</u>	<u>-131.3</u>	<u>-131.3</u>	<u>0</u>	<u>-11.6</u>	<u>-11.6</u>	<u>-142.9</u>
05-07 Biennium	0	-252.1	-252.1	0	-22.7	-22.7	-274.8
Total both Biennia	(\$156.4)	(\$300.0)	(\$456.4)	(\$38.6)	(\$22.7)	(\$61.3)	(\$517.7)

Department of Revenue General Fund Forecast
2003-05 Biennium; Cash Forecast
Comparison of the March 2005 to the November 2004 Forecast
Millions of Dollars

Source	November 2004 Forecast¹	Non Economic Changes-2	Forecast Change	March 2005 Baseline	Total Change
Retail Sales	\$11,845.7	\$0.0	\$74.5	\$11,920.2	\$74.5
Business & Occupation Use	4,123.0	(\$38.6)	52.1	4,136.4	13.5
Public Utility	792.2	\$0.0	20.1	812.4	20.1
Tobacco Products	570.8	\$0.0	3.7	574.5	3.7
Penalty & Interest	19.4	\$0.0	0.2	19.6	0.2
	223.9	\$0.0	5.1	229.0	5.1
Revenue Act Subtotal	17,575.0	(38.6)	155.6	17,692.0	117.0
Liquor Sales/Liter	202.2	0.0	0.5	202.7	0.5
PUD Privilege	74.7	0.0	0.5	75.2	0.5
Cigarette	105.1	0.0	(0.3)	104.8	(0.3)
Property (State School Levy)	2,724.0	0.0	8.5	2,732.5	8.5
Inheritance/Estate	271.4	(204.3)	0.0	67.1	(204.3)
Leasehold Excise	39.6	0.0	0.2	39.9	0.2
Fish Excise	3.4	0.0	0.2	3.6	0.2
Real Estate Excise	1,184.8	0.0	113.9	1,298.7	113.9
other	321.9	0.0	17.3	339.3	17.3
Non Revenue Act Subtotal	4,927.2	(204.3)	140.9	4,863.8	(63.4)
State Share- Timber Ex.	15.6	0.0	2.1	17.7	2.1
Total DOR General Fund	\$22,517.8	(\$242.9)	\$298.6	\$22,573.5	\$55.7

1-Adopted by the Forecast Council, November 2004.

2- Impact of state Supreme Court decisions invalidating the estate tax and reducing the B&O tax rate on meat products

Track Record for the 2003-05 General Fund-State Cash Forecast

February 2002 through March 2005

Cash Basis - Millions of Dollars

<u>Date of Forecast</u>	<u>Department of Revenue*</u>	<u>Other Agencies</u>	<u>Subtotal*</u>	<u>Non Economic Changes**</u>	<u>Total Change</u>	<u>Total General Fund-State Cash Basis</u>
February 2002****	\$22,225	\$565				\$22,790
Changes to Forecast						
June 2002	(53)	23	(30)	205 #1	175	22,965
September 2002	(317)	(29)	(346)	80 #2	(265)	22,700
November 2002	(31)	21	(10)		(10)	22,690
March 2003	(216)	(49)	(265)	27 #3	(238)	22,452
June 2003	(148)	(9)	(156)	446 #4	290	22,741
September 2003	17	(3)	15		15	22,756
November 2003	70	(4)	65		65	22,821
February 2004	63	14	76		76	22,897
June 2004	154	31	185	(86) #5	99	22,996
September 2004	104	13	117	(10) #6	106	23,103
November 2004	65	5	70	0	70	23,173
March 2005	299	2	301	(243) #7	58	23,231
Total change***:						
From February 2002	8	15	23	418	441	23,672
Percent change	0.0%	2.7%	0.1%	1.8%	1.9%	

* Excludes legislative, judicial, statutorily required or other major non-economic changes.

** Includes legislative, judicial, statutorily required or other major non-economic changes.

*** Detail may not add to total due to rounding.

**** First official forecast for the 2003-05 biennium.

#1 Change to the forecast due to 2002 legislation.

#2 Adjustment to the forecast to account for the expiration of two tax incentives and for 2002 legislation (SHB 2512) not previously included in the GFS forecast.

#3 Includes an \$86.6 million adjustment to the November forecast for SSB 6835 and a Dec. 2002 court case. Also the impact of 2003 legislation (hb 1977) enacted prior to the March 2003 forecast (-\$60.0 million).

#4 Impact of 2003 legislation on GFS revenue.

#5 Impact of 2004 legislation on GFS revenue.

#6 Revision to fiscal note for High tech incentives.

#7 Impact of the State Supreme Court decision invalidating the estate tax and reducing the b&O tax rate on certain meat products.

Changes to the General Fund-State Cash Forecast-by Agency

Comparison of the March 2005 to the November 2004 Forecast

2005-07 Biennium

Millions of Dollars

	November 2004 <u>Forecast</u> ¹	March 2005 <u>Forecast</u> <u>Change</u>	March 2005 Non Economic <u>Changes-2</u>	March 2005 <u>Forecast</u>	Total <u>Change*</u>
Department of Revenue	\$24,038.1	\$424.1	(\$274.8)	\$24,187.5	\$149.3
All other Agencies	\$683.6	\$14.2	\$0.0	\$697.8	\$14.2
Total General Fund-State*	\$24,721.8	\$438.3	(\$274.8)	\$24,885.3	\$163.5

*Detail may not add to totals due to rounding.

1: Adopted by the Forecast Council November 2004.

2: Impact of two State Supreme Court Decisions requiring the estate tax to conform to the phase-out of the federal tax and reducing b&O tax rate for certain meat products.

March 2005

Cash Basis

Alternative Forecasts

2005-07 Biennium

Millions of Dollars

	<u>2005-07 Biennium</u>	<u>Difference From the March 2005 Baseline</u>
March 2005 Baseline (50%)	\$24,885	
March 2005 Alternative Forecasts		
Optimistic (25%)	\$26,028	\$1,143
Pessimistic (25%)	\$23,752	(\$1,133)
GCEA*	\$24,908	\$23

* Based on the Governor's Council of Economic Advisors Assumptions.

Department of Revenue General Fund Forecast
2005-07 Biennium; Cash Forecast
Comparison of the March 2005 to the November 2004 Forecast
Millions of Dollars

Source	November 2004 Forecast-1	Non Economic Changes-2	Forecast Change	March 2005 Baseline	Total Change
Retail Sales	\$13,024.7	\$0.0	\$141.2	\$13,165.9	\$141.2
Business & Occupation Use	4,562.9	(22.7)	103.5	4,643.7	80.8
Public Utility	865.1	0.0	29.1	894.2	29.1
Tobacco Products	578.2	0.0	35.5	613.7	35.5
Penalty & Interest	21.1	0.0	0.5	21.6	0.5
	249.0	0.0	4.2	253.2	4.2
Revenue Act Subtotal	19,301.0	(22.7)	314.0	19,592.3	291.3
Liquor Sales/Liter	212.2	0.0	1.1	213.4	1.1
PUD Privilege	82.0	0.0	(0.7)	81.3	(0.7)
Cigarette	96.9	0.0	(0.0)	96.8	(0.0)
Property (State School Levy)	2,618.6	0.0	4.9	2,623.4	4.9
Inheritance/Estate	259.1	(252.1)	(0.1)	6.9	(252.2)
Leasehold Excise	43.0	0.0	0.5	43.5	0.5
Fish Excise	3.3	0.0	0.4	3.7	0.4
Real Estate Excise	1,110.8	0.0	98.1	1,208.9	98.1
other	290.4	0.0	5.5	295.9	5.5
Non Revenue Act Subtotal	4,716.2	(252.1)	109.7	4,573.8	(142.4)
State Share- Timber Ex.	20.9	0.0	0.4	21.3	0.4
Total DOR General Fund	\$24,038.1	(274.8)	\$424.1	\$24,187.5	\$149.3

1-Adopted by the Forecast Council, November 2004.

2-Impact of the state Supreme Court decision invalidating the estate tax and reducing the b&O tax rate on meat products.

Track Record for the 2005-07 General Fund-State Cash Forecast

February 2004 through March 2005

Cash Basis - Millions of Dollars

<u>Date of Forecast</u>	<u>Department of Revenue*</u>	<u>Other Agencies</u>	<u>Subtotal*</u>	<u>Non Economic Changes**</u>	<u>Total Change</u>	<u>Total General Fund-State Cash Basis</u>
February 2004****	\$24,293	\$660				\$24,953
Changes to Forecast						
June 2004	57	4	62	(265) ^{#1}	(203)	24,750
September 2004	32	16	48	(22) ^{#2}	26	24,776
November 2004	(57)	3	(54)	0	(54)	24,722
March 2005	424	14	438	(275) ^{#3}	164	24,885
June 2005						
September 2005						
November 2005						
February 2006						
June 2006						
Total change***:						
From February 2004	456	37	494	(562)	(68)	
Percent change	1.9%	5.7%	2.0%	-2.3%	-0.3%	

* Excludes legislative, judicial, statutorily required or other major non-economic changes.

** Includes legislative, judicial, statutorily required or other major non-economic changes.

*** Detail may not add to total due to rounding.

**** First official forecast for the 2005-07 biennium.

#1 Change to the forecast due to 2004 legislation.

#2 Revision to fiscal note for high tech tax incentives

#3 Impact of the state Supreme Court decision invalidating the estate tax and lowering the b&O rate on certain meat products

CURRENT ECONOMIC CONDITIONS

U.S.

- ❖ Real GDP grew 3.8% in the fourth quarter of 2004, faster than our previous forecast.
- ❖ Crude oil continues to trade near \$55/barrel on supply concerns and a cold weather snap.
- ❖ The Fed Funds rate rose to 2.5% after the 6th consecutive increase since June 2004.
- ❖ The 10-year Treasury note jumped to over 4.5% reacting to higher energy prices and concerns over the federal deficit.

Washington

- ❖ Washington's unemployment rate has declined to 5.5% in February 2005 from 7.5% in June 2003.
- ❖ After expanding 1.5% in 2004, WA employment is expected to grow 2.1%, 1.8%, and 1.8% in 2005, 2006, and 2007 respectively.
- ❖ Since June 2004, Boeing has added 3,800 new jobs.
- ❖ In the four months (Oct. 2004-Jan. 2005 activity months) since the November forecast, Revenue Act revenue grew 9.5%.
- ❖ Reflecting the strong housing market, real estate taxable activity in the last two months was up 50% from a year-ago.

Key National Economic Variables

	2002	2003	2004	2005	2006	2007
Real GDP, %Ch	1.9	3.0	4.4	3.5	3.1	3.2
Real Personal Income, %Ch	0.3	1.3	3.2	3.5	3.6	3.3
Consumer Price Index, %Ch	1.6	2.3	2.7	2.0	1.6	2.0
Housing Starts, %Ch	6.8	8.3	5.1	-5.7	-7.1	-1.2
Nonfarm Payroll Employment, %Ch	-1.1	-0.3	1.1	1.7	1.4	1.1
Manufacturing Employment, %Ch	-7.2	-4.9	-1.2	0.1	0.7	0.2
Construction Employment, %Ch	-1.6	0.3	3.4	2.7	1.4	0.6
Unemployment Rate	5.8	6.0	5.5	5.2	5.2	5.2
3-month Treasury Bill Rate	1.6	1.0	1.4	3.0	3.8	3.8
Mortgage Rate	6.5	5.8	5.8	6.1	6.5	6.8

Key Washington Economic Variables

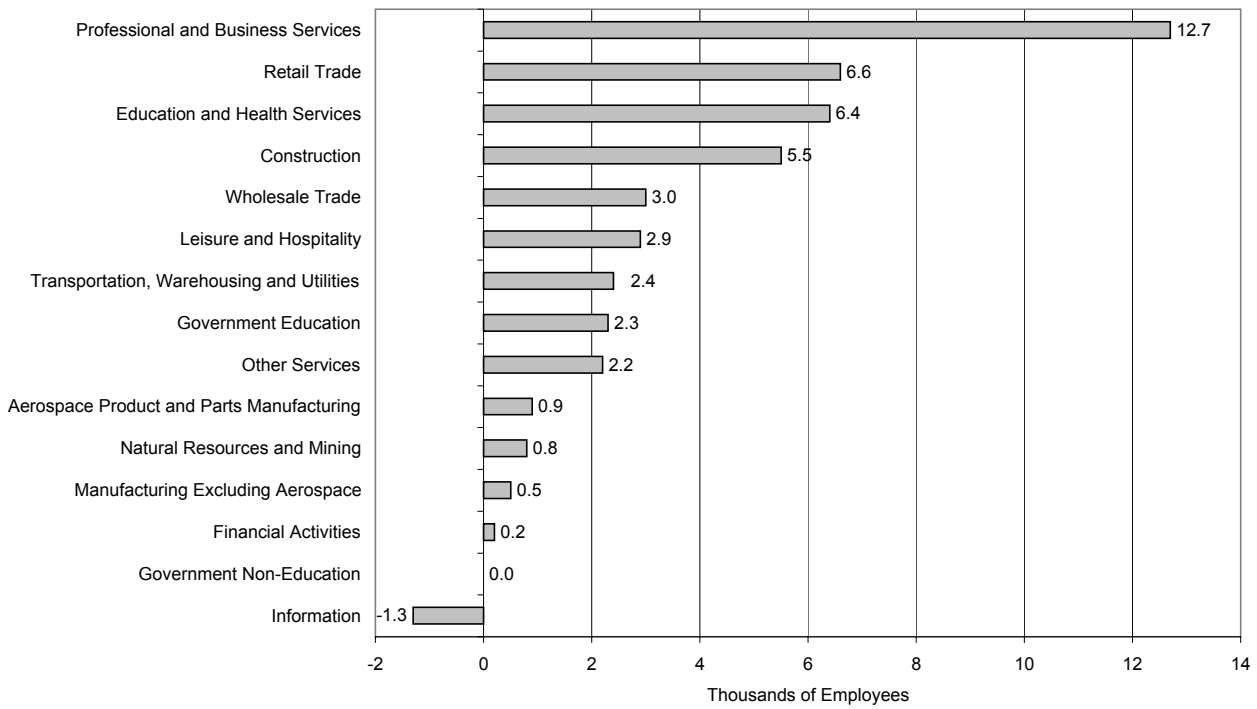
	2002	2003	2004	2005	2006	2007
Nonfarm Payroll Employment, %Ch	-1.6	0.1	1.5	2.1	1.8	1.8
Manufacturing Employment, %Ch	-9.8	-6.3	-1.3	3.3	2.8	2.9
Aerospace Employment, %Ch	-13.2	-13.8	-5.9	7.4	7.6	7.0
Other Manufacturing Employment, %Ch	-8.6	-3.6	0.2	2.1	1.3	1.4
Software Employment, %Ch	0.7	3.4	5.1	4.9	2.8	4.7
Construction Employment, %Ch	-2.9	1.3	4.6	2.3	1.4	1.9
Unemployment Rate	7.3	7.5	6.0	5.8	5.9	5.9
Population, %Ch	1.0	1.0	1.3	1.5	1.5	1.5
Housing Permits, %Ch	4.8	6.5	15.0	-3.1	-6.7	-1.2
Real Personal Income, %Ch	0.6	0.9	5.5	1.8	4.2	4.1
Seattle Consumer Price Index, %Ch	2.0	1.6	1.2	1.7	1.9	2.2

Washington Employment Growth

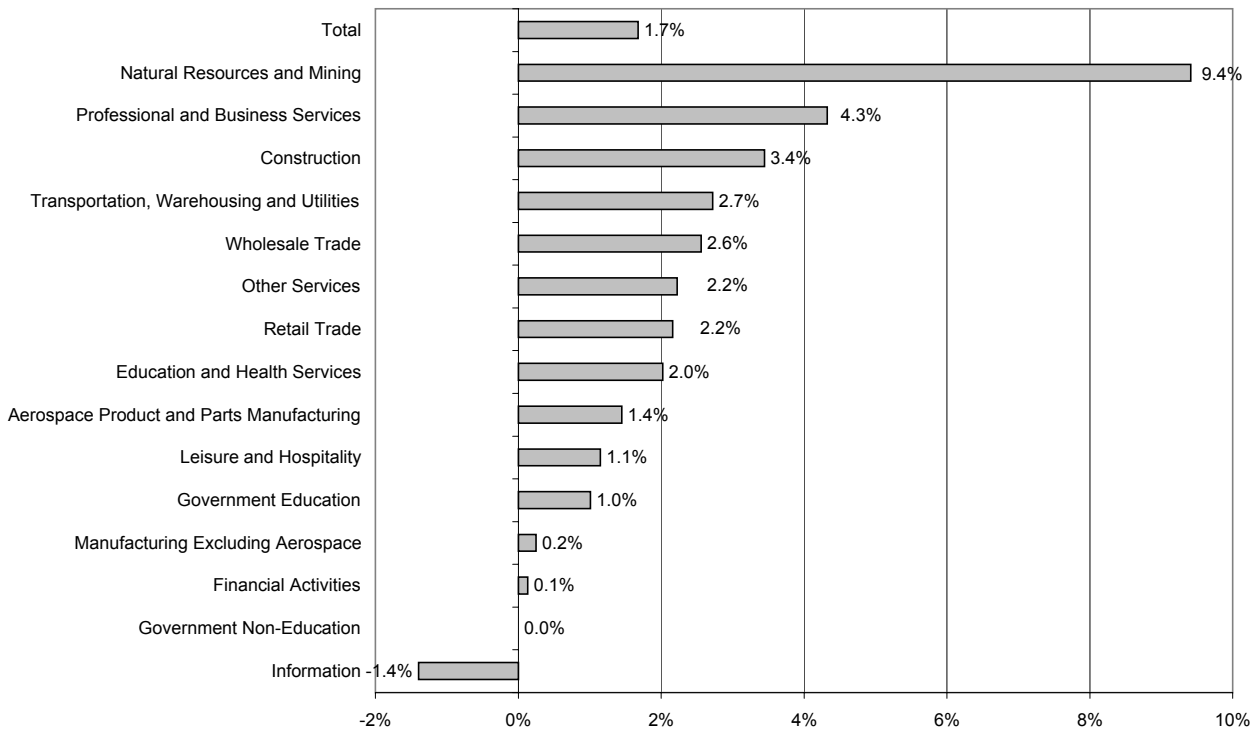
(Thousands)

	2000:12-2002:3	2002:3-2003:6	2003:6-2005:2	2000:12-2005:2
Total Nonfarm	-85.6	3.2	82.2	-0.2
Total Private	-97.9	-4.0	77.2	-24.7
Natural Resources and Mining	-0.1	-0.8	0.8	-0.2
Construction	-10.1	2.9	13.2	6.0
Manufacturing	-38.2	-24.0	-0.8	-63.0
Aerospace Product and Part	-7.8	-13.1	-1.5	-22.4
Trade, Transportation and Utilities	-25.4	-1.4	21.1	-5.6
Information	-7.8	-2.4	0.9	-9.3
Software Publishers	2.0	1.0	3.7	6.7
Financial Activities	2.7	7.1	-0.5	9.4
Professional and Business Services	-22.1	0.6	19.4	-2.1
Education and Health Services	9.9	7.1	12.8	29.8
Leisure and Hospitality	-2.6	4.7	7.8	9.9
Other Services	-4.3	2.4	2.5	0.6
Government	12.3	7.2	5.1	24.5
Federal Government	0.1	1.7	0.0	1.9
Total State Government	4.3	1.1	1.9	7.2
State Government Educational Se	3.1	1.3	0.6	5.0
Other State Government	1.2	-0.2	1.3	2.2
Total Local Government	7.9	4.3	3.2	15.4
Local Government Educational Se	-0.4	3.1	1.4	4.1
Tribal Governments	1.3	2.8	2.4	6.5
Other Local Government	7.0	-1.5	-0.7	4.8
Addenda:				
Total Private Plus Tribal	-96.6	-1.2	79.6	-18.2
Total Government Less Tribal	10.9	4.4	2.7	18.0
Total Local Government Less Tribal	6.5	1.5	0.8	8.9

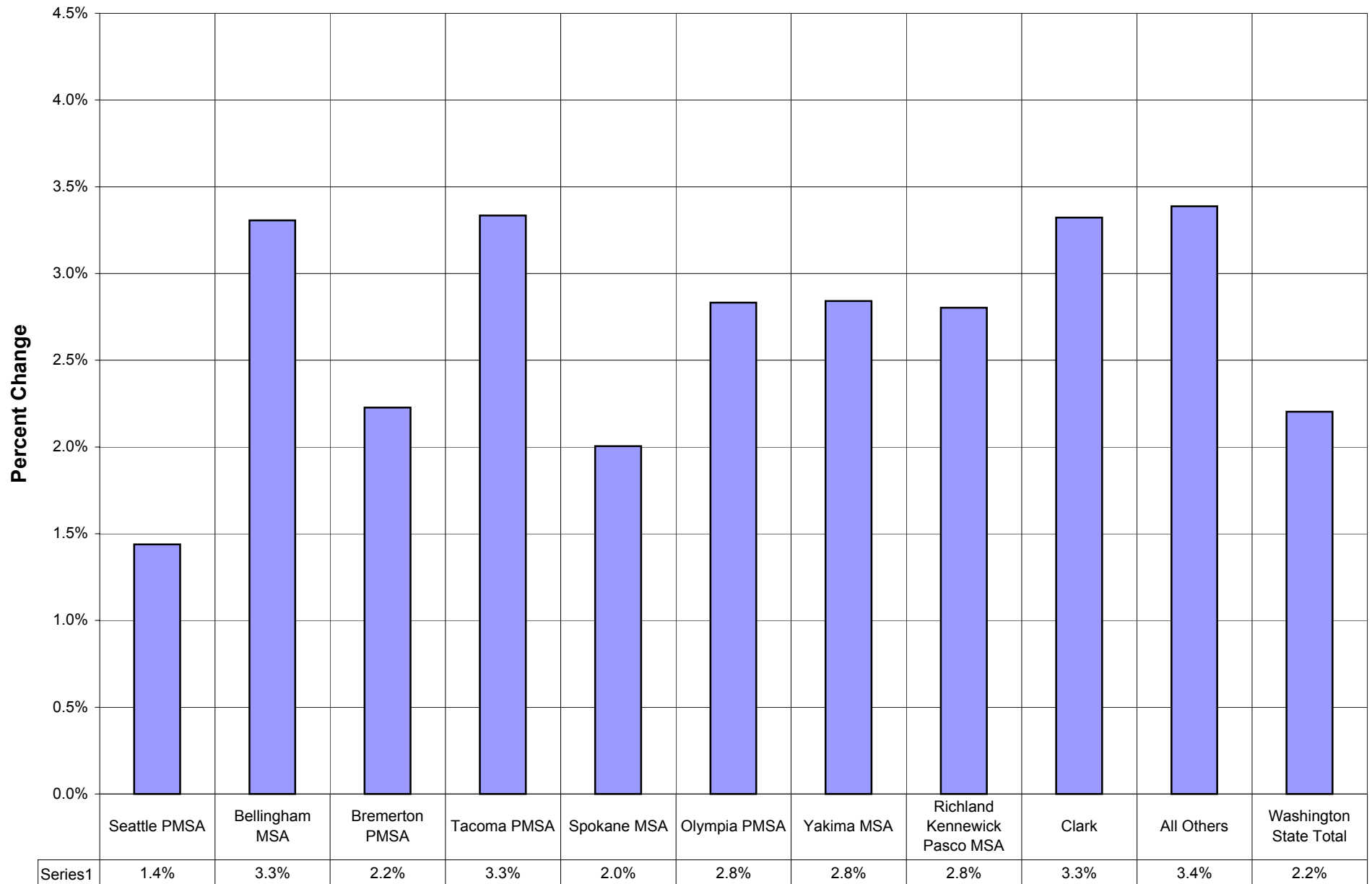
2004 Payroll Employment Change by Industry
(Total 2004 Payroll Employment Growth = 44,800)



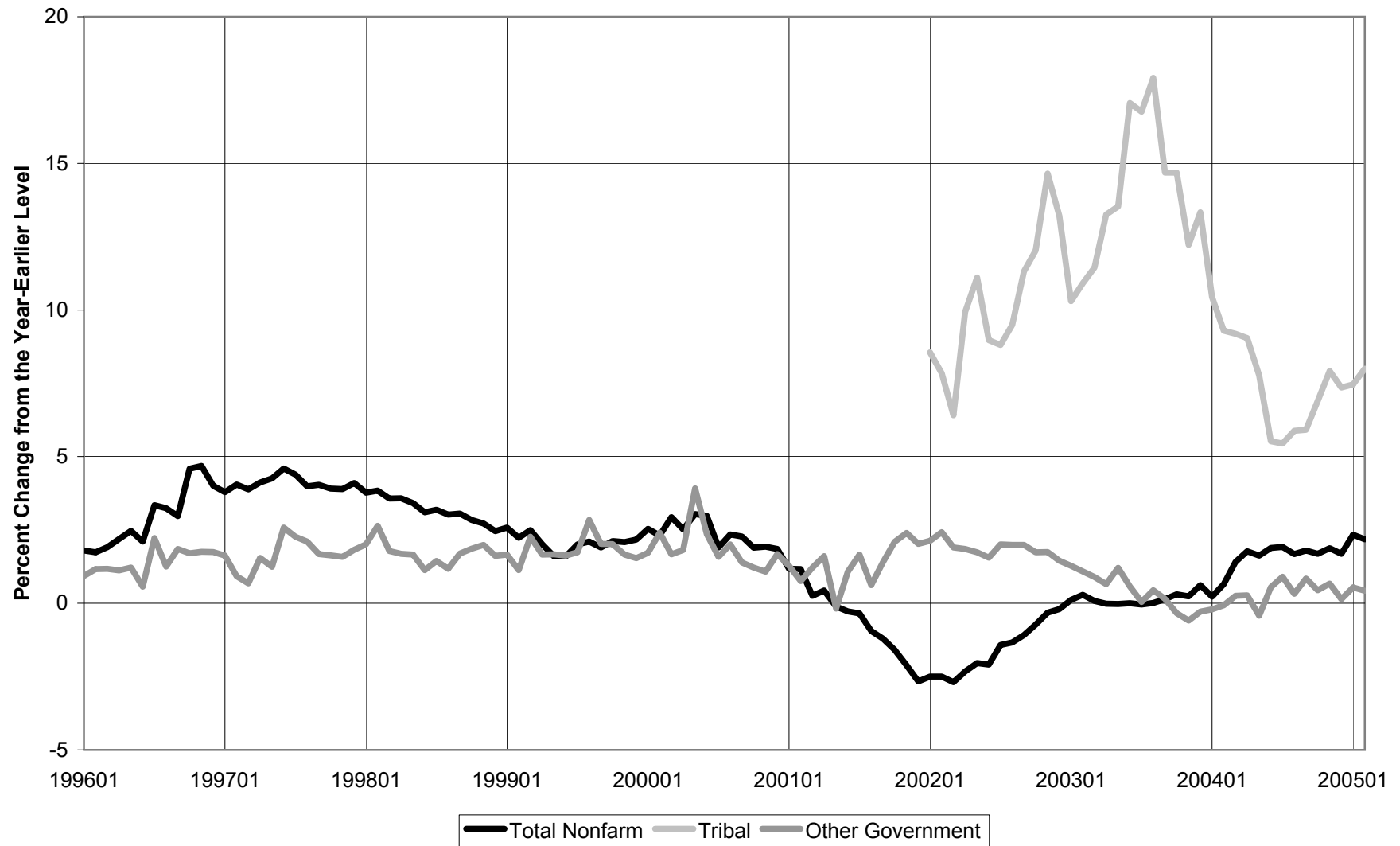
2004 Payroll Employment Percent Change by Industry



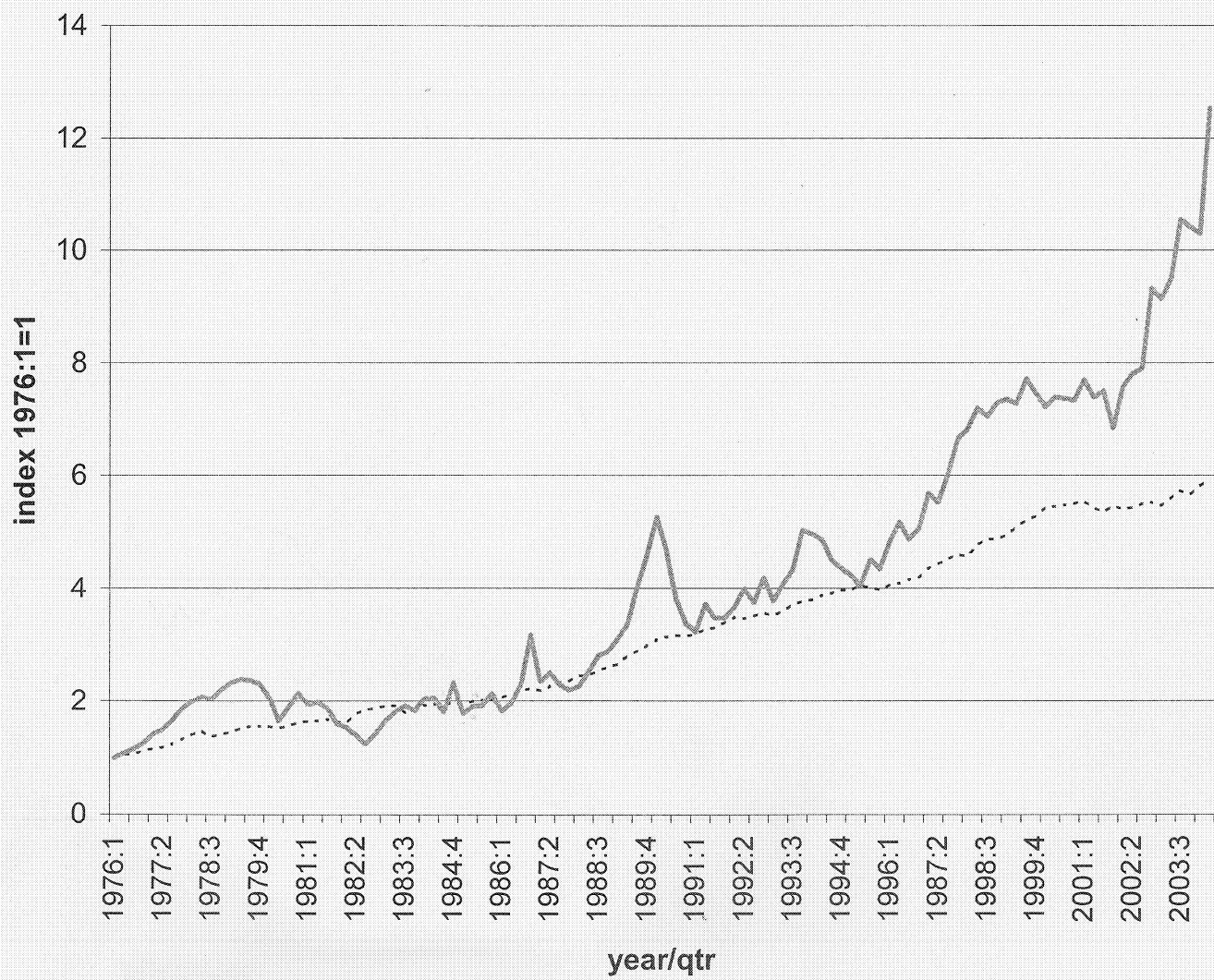
Area Employment Changes December 2003 to December 2004



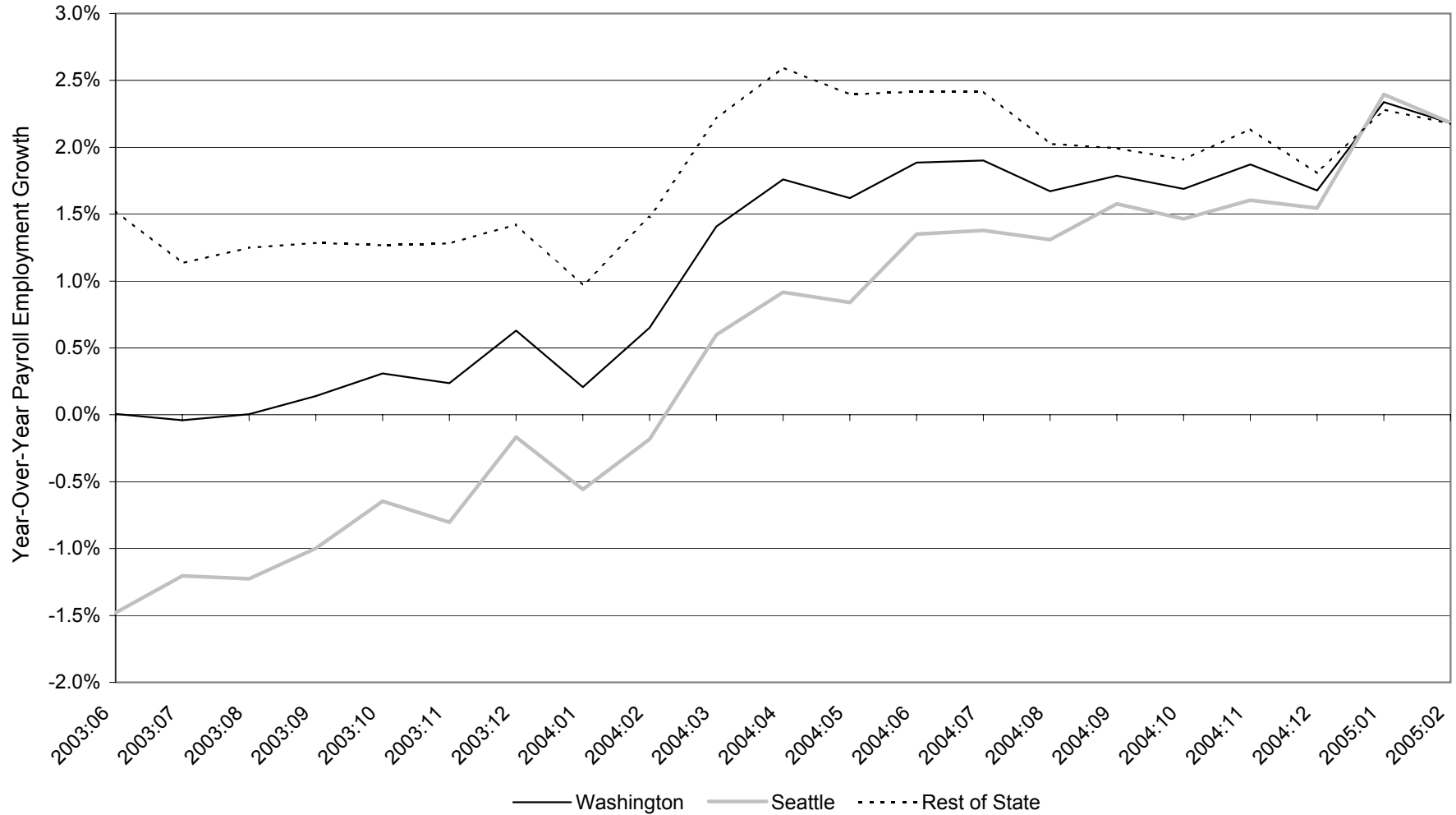
Employment Growth in Washington



Taxable sales and taxable real estate excise



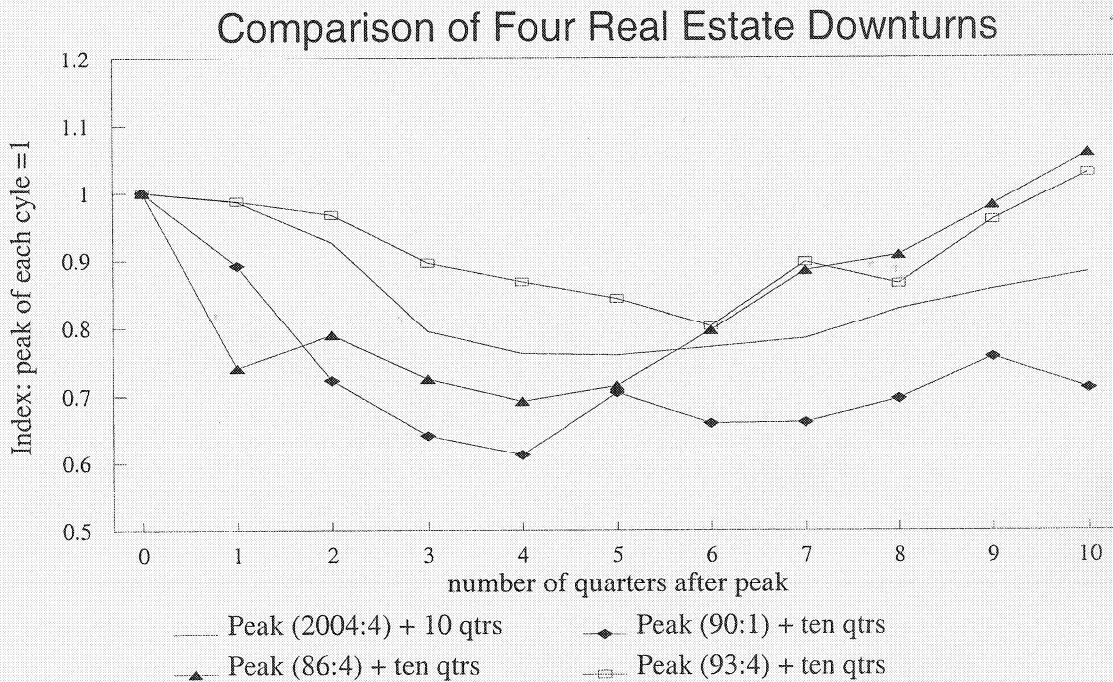
Employment Recovery: Seattle vs. Rest of State



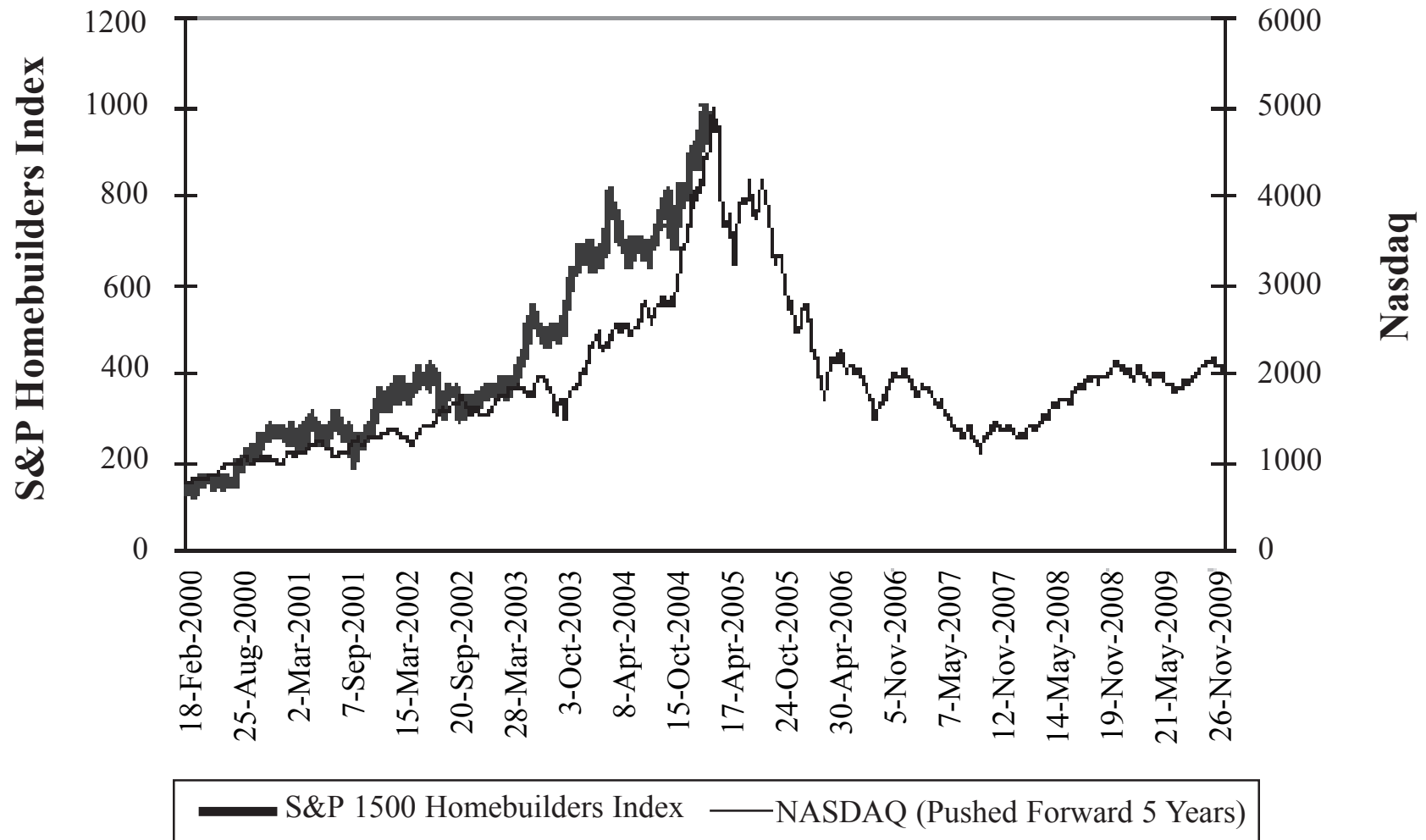
	Employment at Dec 2000 Peak	Employment at Mar 2002 State Trough	Peak-State Trough Loss	Employment at June 2003 Seattle Trough	Change from Peak to Time of Seattle Trough	February 2005 Employment	Change since Dec 2000 Peak	Gain since Regional Trough (Mar'02-Feb'05): 85,600 (June '03-Feb'05): 33,700
Washington	2,731,400	2,647,200	-84,200	2,651,200	-80,200	2,732,800	1,400	
Seattle PMSA	1,418,700	1,340,300	-78,400	1,318,400	-100,300	1,352,100	-66,600	
Rest of State	1,312,700	1,306,900	-5,800	1,332,800	20,100	1,380,700	68,000	

Downturns of the Real Estate Excise Taxbase in the Last 30 years

<u>Period</u>	<u>Decline of Taxbase</u>	<u>Number of Qtrs</u>	<u>Peak to Trough Difference in Mtg rate</u>
Peak: 1979:2 Trough: 1980:2	-31.0%	4	2.3
Peak: 1981:2 Trough: 1982:3	-37.2%	5	-0.1
Peak: 1986:4 Trough: 1987:4	-30.8%	4	1.2
Peak: 1990:1 Trough: 1991:1	-38.8%	4	-0.6
Peak: 1993:4 Trough: 1995:2	-19.7%	6	0.6
Peak: 1999:3 Trough: 2001:4	-10.7%	9	(1.0)
Average for all downturns	-28.0%	5.3	0.4
Average for non recession downturns	-25.3%	5.0	0.9
<u>March 2005 Forecast</u>			
Peak: 2004:4 Trough: 2006:1	-24.0%	5	0.7

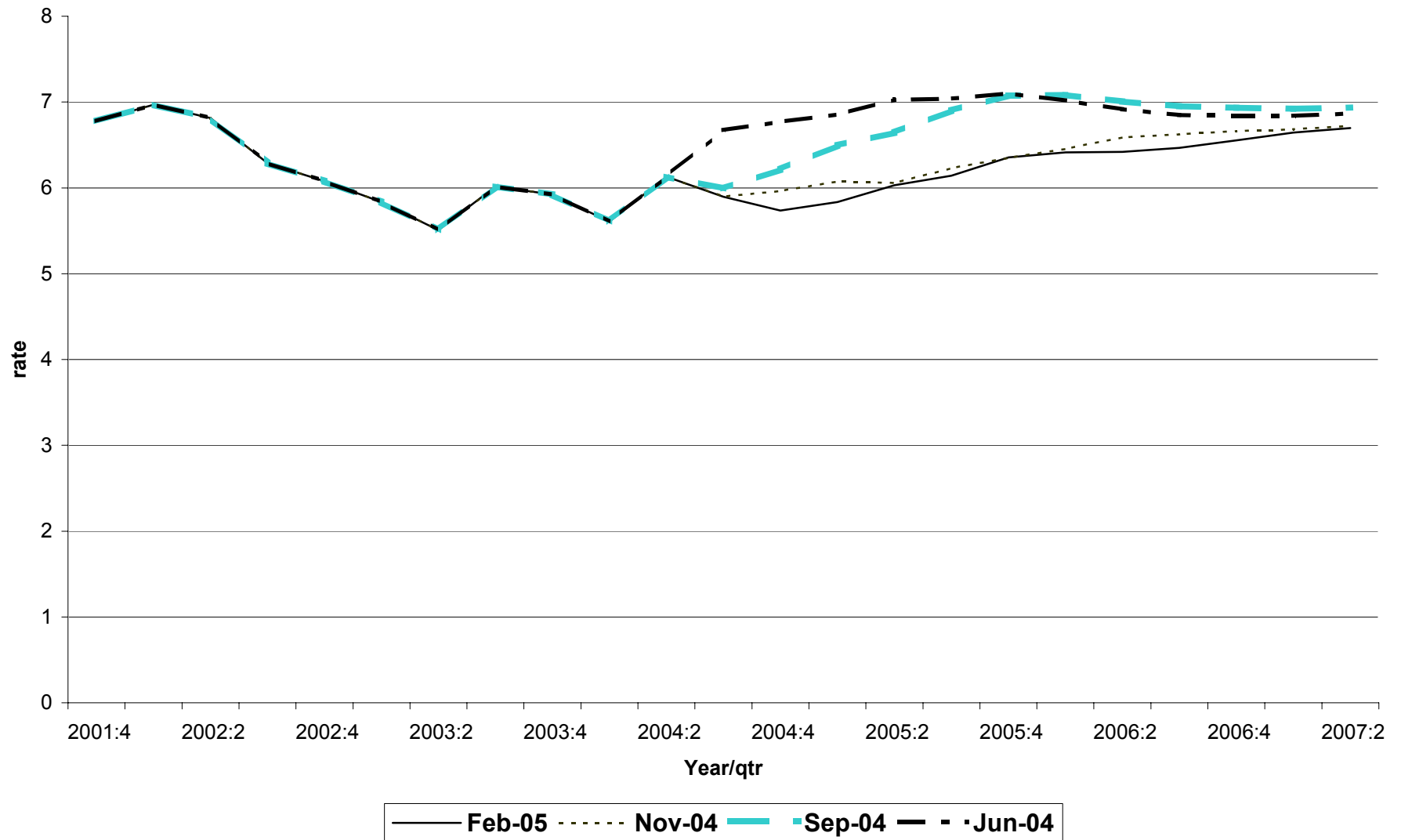


If Housing Isn't a Bubble, then Tech Wasn't Either



Source: The Market Economist, 25 February 2005; Merrill Lynch

Mortgage Rate Forecast



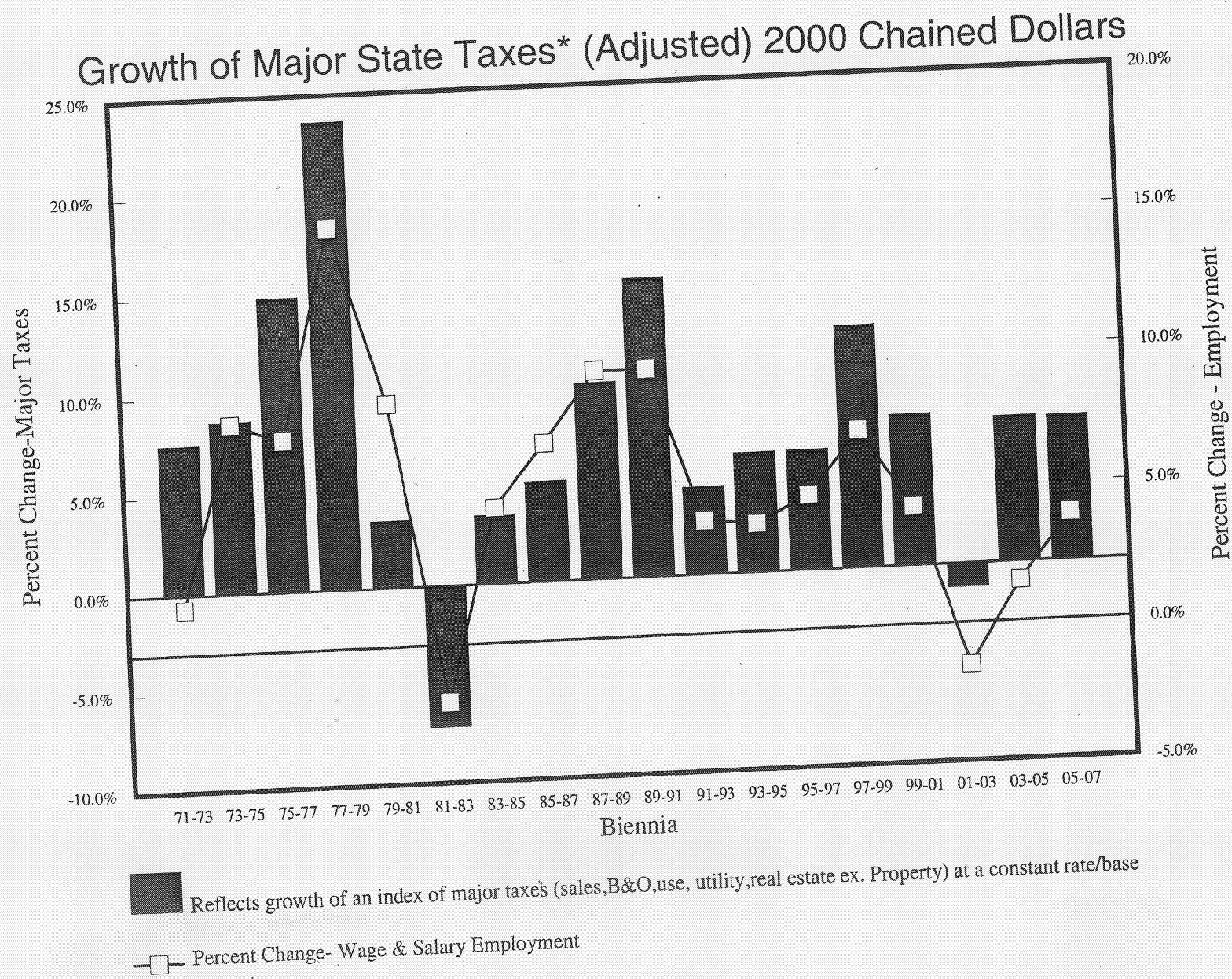
General Fund-State**Biennial Growth****March 2005 Forecast**

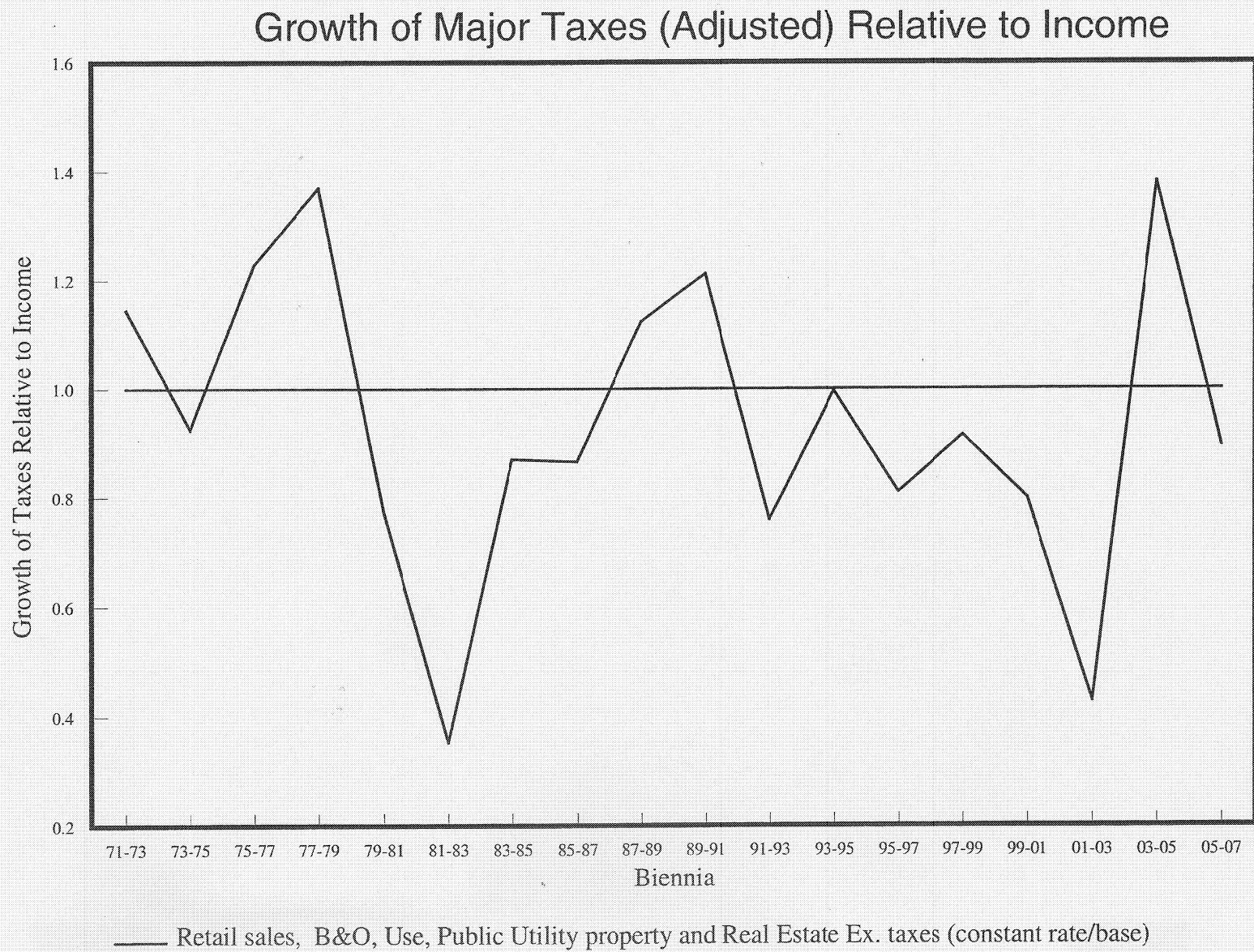
Biennia	General Fund-State Collection Growth ¹		Adjusted Growth Major Taxes ²
	Total GFS Current Dollars		2000 Chained Dollars
1971-73	10.9%		7.6%
1973-75	23.4		8.7
1975-77	43.1		14.8
1977-79	32.3		23.6
1979-81	19.3		3.4
1981-83	27.0		-7.4
1983-85	20.6		3.2
1985-87	16.7		5.3
1987-89	14.2		10.1
1989-91	21.7		15.2
1991-93	11.7	10.3*	4.3
1993-95	11.5	7.7*	6.1
1995-97	6.5	10.6*	6.3
1997-99	11.2	14.5*	12.2
1999-01	8.4	12.0*	7.8
2001-03	-0.6	1.9*	-1.1
2003-05 ^F	9.9	9.7*	7.3
2005-07 ^F	7.1	9.1*	7.3

* Growth adjusted for major non-economic changes.

- 1 Actual growth in Total General Fund-State tax receipts includes growth due to changes in tax rates, the tax base as well as administrative and accounting changes. Represents growth of revenue available for appropriation. Growth is affected by factors other than economic performance, hence the growth rates may not be comparable among biennia.
- 2 Estimated growth of six major taxes (sales, B&O, use, public utility, real estate excise, and property) on a tax liability basis, adjusted to a constant rate and base and adjusted for price changes. The growth rates in this column provide a measure of how revenue growth varies over time and with the economy.

F Forecast





Analysis for the Major Sources Based on Taxable Activity

Revenue Act Sources

March 2005 Baseline Forecast

Source/Fiscal	Percentage Change		Personal Income	
	Tax Base Adjusted*	Personal Income	Elasticity**	
I. Retail Sales1				
	1986	5.7	5.7	1.0
	1987	7.8	6.6	1.2
	1988	8.1	7.3	1.1
	1989	10.9	9.7	1.1
	1990	13.7	10.5	1.3
	1991	5.7	8.9	0.6
	1992	6.5	6.6	1.0
	1993	4.3	6.9	0.6
	1994	6.2	4.3	1.4
	1995	4.5	5.8	0.8
	1996	3.8	5.8	0.7
	1997	7.2	8.0	0.9
	1998	7.3	8.1	0.9
	1999	7.2	7.8	0.9
	2000	7.4	8.8	0.8
	2001	3.1	4.1	0.8
	2002	-0.6	2.6	-0.2
	2003	2.3	2.2	1.1
	2004	5.1	4.0	1.3
	2005	6.5	6.1	1.1
	2006	4.9	5.7	0.9
	2007	5.1	6.1	0.8
II. Business & Occupation				
	1986	5.4	5.7	0.9
	1987	6.4	6.6	1.0
	1988	10.3	7.3	1.4
	1989	9.4	9.7	1.0
	1990	14.3	10.5	1.4
	1991	6.3	8.9	0.7
	1992	6.4	6.6	1.0
	1993	3.4	6.9	0.5
	1994	2.0	4.3	0.5
	1995	6.8	5.8	1.2
	1996	4.5	5.8	0.8
	1997	8.9	8.0	1.1
	1998	7.2	8.1	0.9
	1999	7.2	7.8	0.9
	2000	5.5	8.8	0.6
	2001	3.0	4.1	0.7
	2002	-3.4	2.6	-1.3
	2003	-2.4	2.2	-1.1
	2004	6.6	4.0	1.6
	2005	9.0	6.1	1.5
	2006	6.4	5.7	1.1
	2007	5.1	6.1	0.8

Analysis for the Major Sources Based on Taxable Activity

Revenue Act Sources

March 2005

*

Source/Fiscal	Percentage Change		Personal Income Elasticity**
	Tax Base Adjusted*	Personal Income	
III. Use			
1986	7.0	5.7	1.2
1987	3.1	6.6	0.5
1988	5.4	7.3	0.7
1989	11.3	9.7	1.2
1990	16.3	10.5	1.6
1991	9.7	8.9	1.1
1992	-1.0	6.6	-0.1
1993	6.8	6.9	1.0
1994	7.0	4.3	1.6
1995	5.8	5.8	1.0
1996	8.2	5.8	1.4
1997	5.4	8.0	0.7
1998	6.7	8.1	0.8
1999	0.7	7.8	0.1
2000	10.3	8.8	1.2
2001	8.2	4.1	2.0
2002	-8.3	2.6	-3.2
2003	-7.8	2.2	-3.6
2004	7.5	4.0	1.9
2005	11.6	6.1	1.9
2006	4.9	5.7	0.9
2007	6.1	6.1	1.0

IV. Public Utility

1986	0.5
1987	1.5
1988	3.0
1989	0.8
1990	-1.2
1991	6.8
1992	0.1
1993	9.0
1994	7.6
1995	6.3
1996	1.8
1997	1.5
1998	1.8
1999	6.6
2000	7.1
2001	15.2
2002	0.7
2003	-1.9
2004	7.6
2005	6.2
2006	2.6
2007	3.7

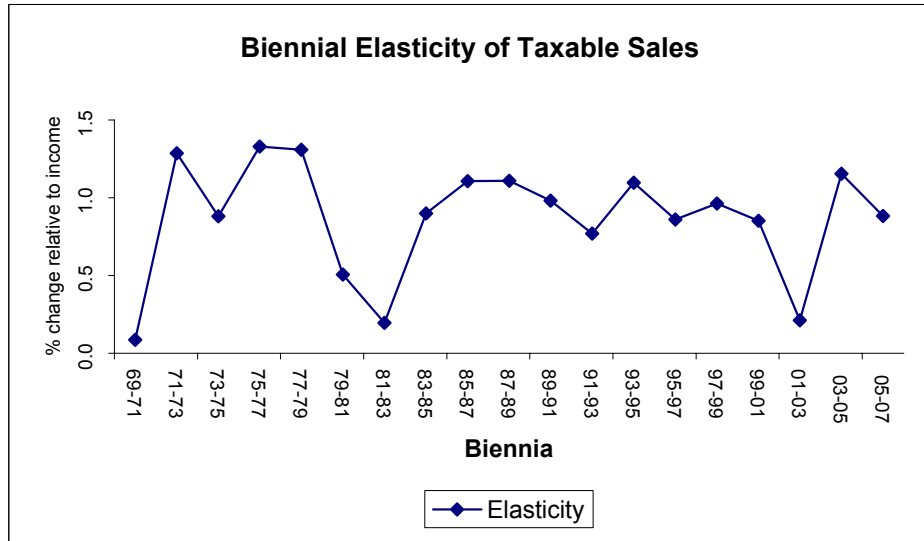
* Based on constant base taxable data.

** Percent changes in taxable activity relative to percent change in personal income.

1 1978 tax base; assumes food expenditures in tax base, excludes telephone services.

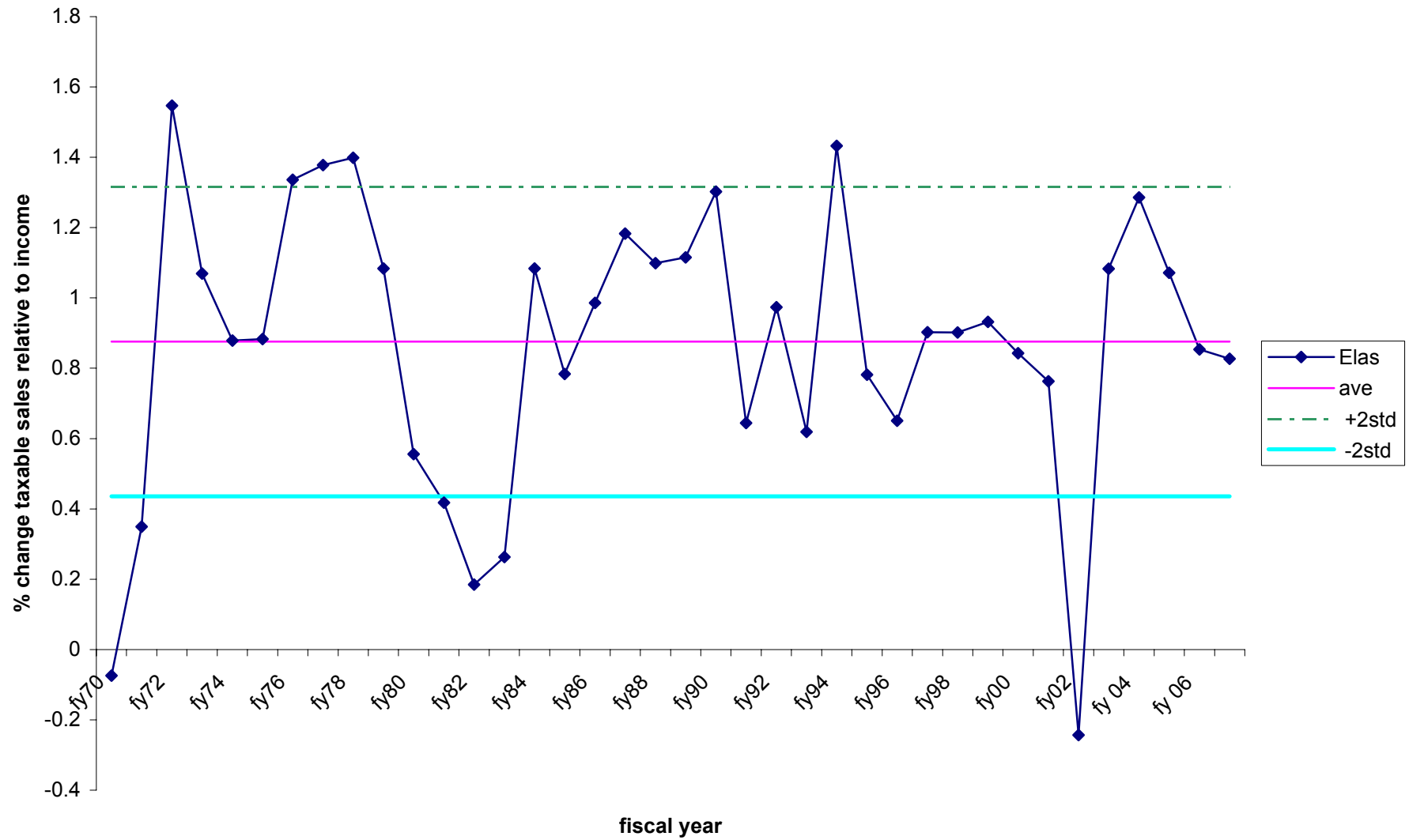
Biennial Elasticity*
Taxable Sales (adjusted)
March 2005 Forecast

Biennium	Elasticity*	rank
75-77	1.3	1
77-79	1.3	2
71-73	1.3	3
03-05:Est. (3/05)	1.2	4
87-89	1.1	5
85-87	1.1	6
93-95	1.1	7
89-91	1.0	8
97-99	1.0	9
83-85	0.9	10
05-07:Est. (3/05)	0.9	11
73-75	0.9	12
95-97	0.9	13
99-01	0.9	14
91-93	0.8	15
79-81	0.5	16
01-03	0.2	17
81-83	0.2	18
69-71	0.1	19

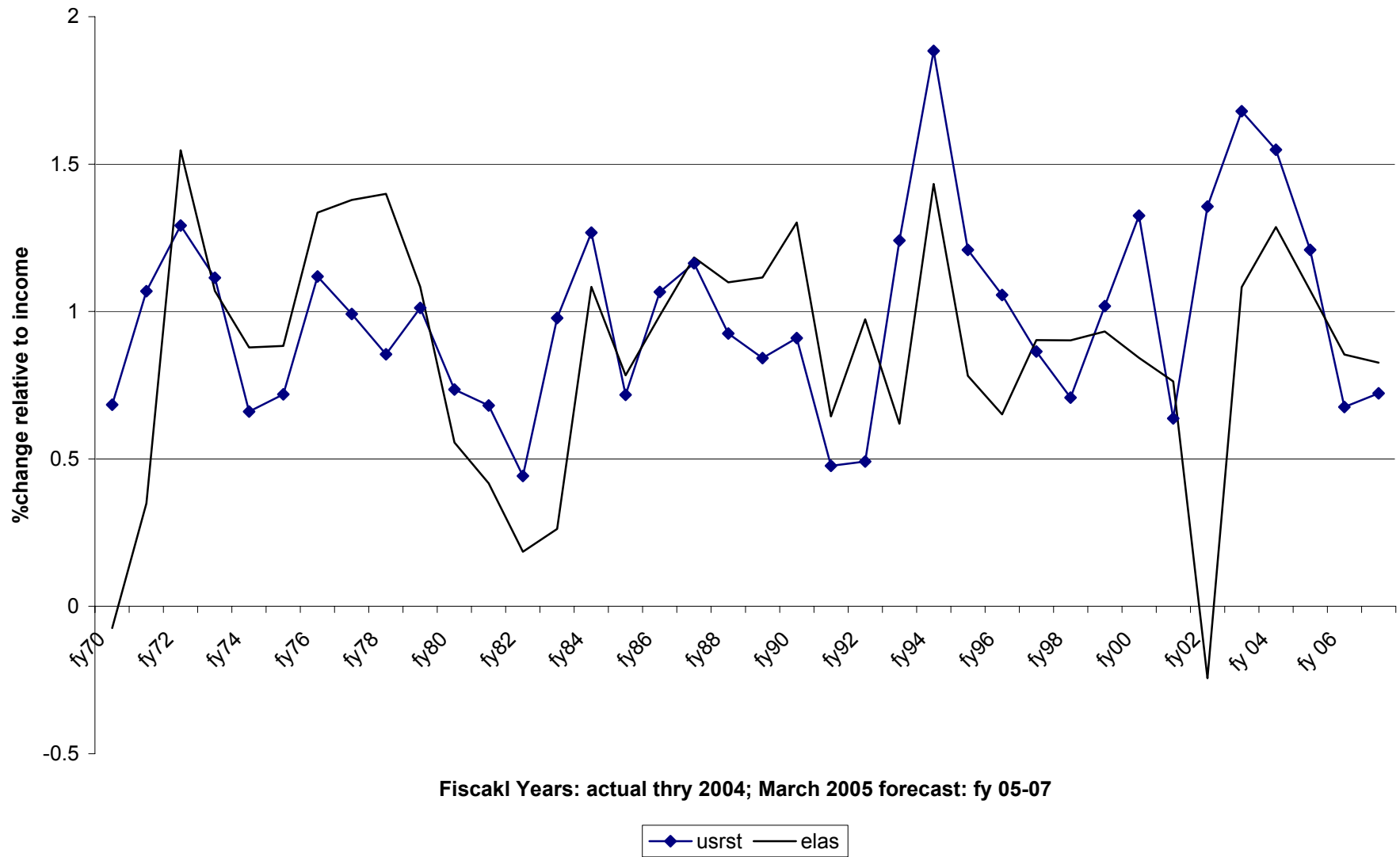


*Percent change taxable sales (adjusted for major base changes) relative to percent changes in income. (Ave. of the elasticities of the fiscal years of the biennium. Based on a moving average of state disposable personal income (adjusted for special Microsoft dividend.)

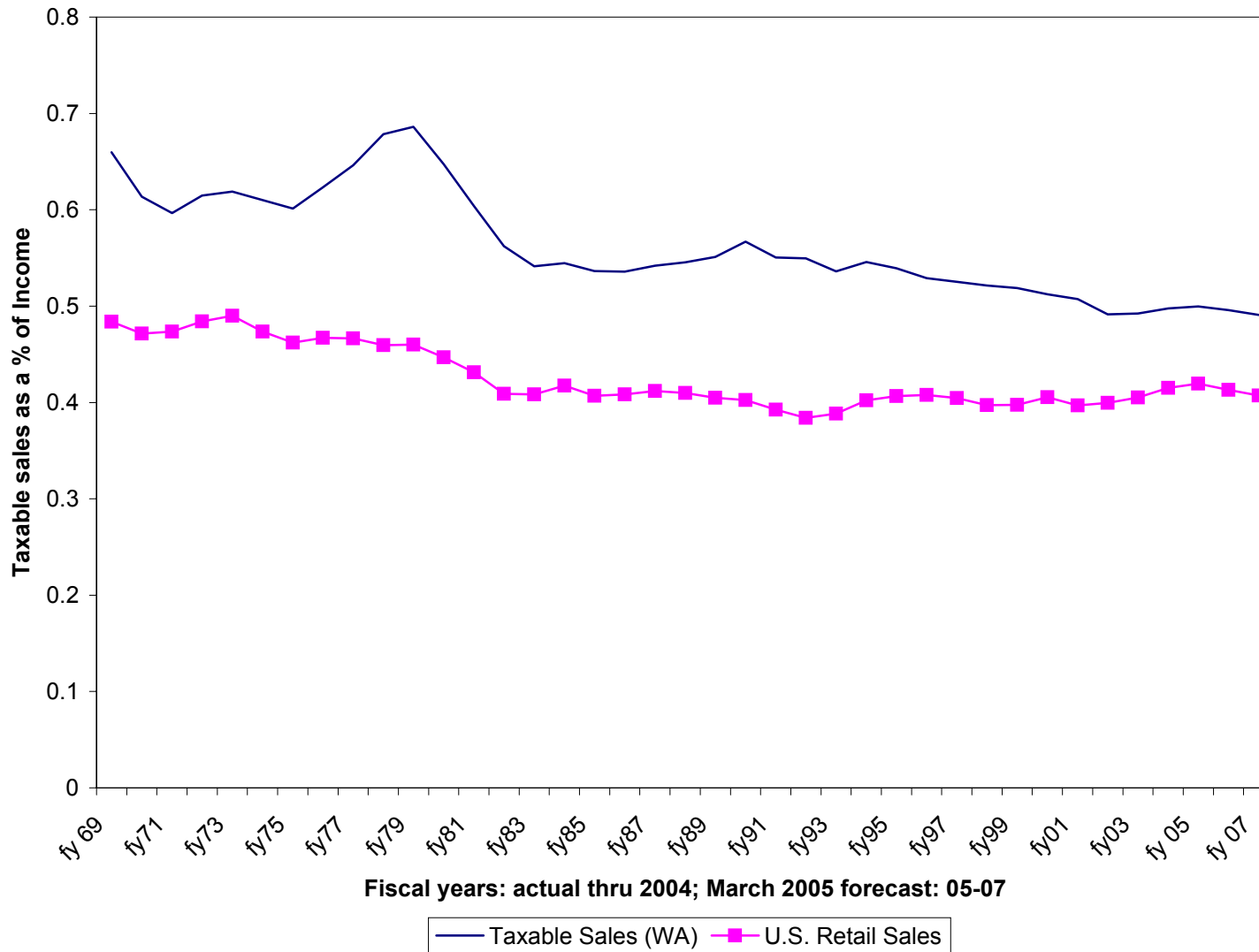
%Change of Taxble Sales* Relative to Income



Elasticity: Taxable Sales (WA) and U.S. Retail Sales

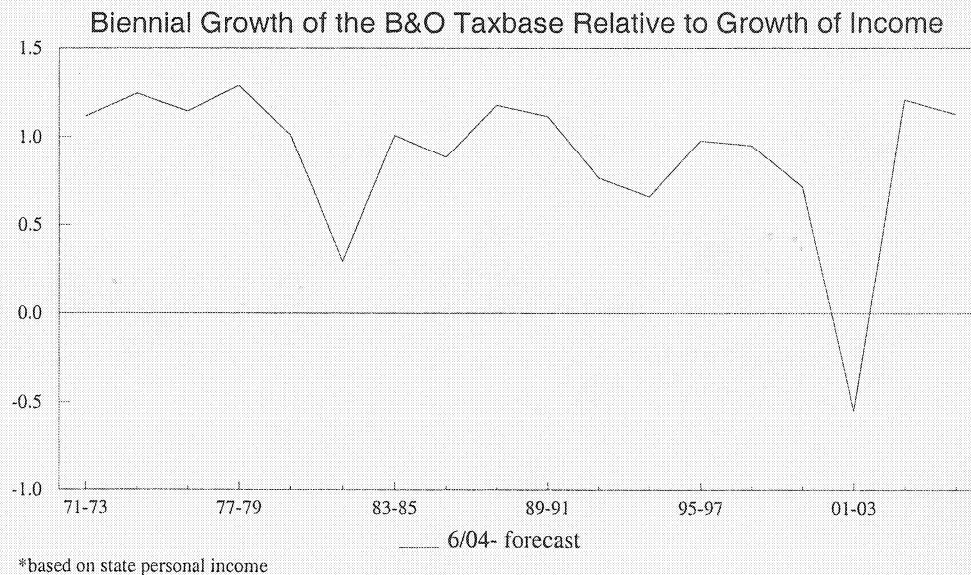


Taxable Sales (WA) and U.S. Retail Sales as a % of Income



Biennial Elasticity
Taxable business & occupation
March 2005 Forecast

<u>Biennia</u>	<u>Elasticity</u>	<u>Rank</u>
77-79	1.3	1
73-75	1.2	2
03-05 (3/05)	1.2	3
87-89	1.2	4
75-77	1.1	6
05-07 (3/05)	1.1	5
89-91	1.1	7
71-73	1.1	8
79-81	1.0	9
83-85	1.0	10
95-97	1.0	11
97-99	1.0	12
85-87	0.9	13
91-93	0.8	14
99-01	0.7	15
93-95	0.7	16
81-83	0.3	17
01-03	(0.5)	18



Growth Rates of Major Excise Taxes and Economic Drivers

Percent Change from the Year-Ago Level

	Employment	Personal Income		Revenue Act*	
		Nominal	Real	Nominal	Real
1992:1	2.2	7.1	4.1	7.5	4.5
1992:2	2.2	7.2	4.1	6.1	3.0
1992:3	1.9	7.4	4.3	5.6	2.6
1992:4	1.9	9.3	6.3	5.2	2.4
1993:1	1.1	4.8	2.2	1.3	-1.2
1993:2	1.5	6.2	3.6	5.1	2.5
1993:3	2.1	4.9	2.6	5.2	2.9
1993:4	1.6	3.0	0.9	4.2	2.1
1994:1	2.1	4.8	2.8	7.0	5.0
1994:2	2.0	4.7	2.8	4.8	3.0
1994:3	1.8	5.4	3.0	4.3	1.9
1994:4	2.5	5.6	3.3	6.6	4.2
1995:1	2.5	6.8	4.3	3.7	1.3
1995:2	2.3	5.2	2.8	5.7	3.2
1995:3	1.7	5.2	3.3	5.4	3.4
1995:4	0.9	4.1	2.2	1.4	-0.5
1996:1	1.8	6.4	4.2	5.5	3.4
1996:2	2.3	7.3	5.1	4.2	2.0
1996:3	3.2	8.0	5.8	6.2	4.0
1996:4	4.4	8.5	6.0	6.6	4.1
1997:1	3.9	8.0	5.7	8.9	6.5
1997:2	4.3	7.6	5.7	8.0	6.2
1997:3	4.1	7.0	5.3	7.8	6.1
1997:4	4.0	7.4	6.1	10.0	8.7
1998:1	3.7	8.8	7.9	3.7	2.8
1998:2	3.4	9.0	8.1	7.2	6.3
1998:3	3.1	9.8	8.8	6.7	5.7
1998:4	2.7	8.7	7.7	6.9	5.9
1999:1	2.4	7.4	6.2	7.7	6.5
1999:2	1.7	5.3	3.7	6.2	4.6
1999:3	2.0	6.6	4.6	6.9	4.9
1999:4	2.1	9.4	7.1	5.3	3.2
2000:1	2.6	10.0	7.1	9.2	6.3
2000:2	2.8	9.0	6.3	7.1	4.4
2000:3	2.2	5.9	3.4	5.5	3.0
2000:4	1.9	3.4	1.1	4.9	2.5
2001:1	0.9	1.3	-0.9	3.5	1.2
2001:2	0.0	5.7	3.2	0.4	-2.0
2001:3	-0.8	4.2	2.1	-1.9	-3.8
2001:4	-2.1	2.8	1.1	-1.3	-3.0
2002:1	-2.6	2.7	1.6	-2.7	-3.8
2002:2	-2.2	0.7	-0.5	-0.7	-1.9
2002:3	-1.3	2.4	0.8	1.1	-0.4
2002:4	-0.4	2.3	0.5	0.4	-1.4
2003:1	0.2	1.6	-0.8	-0.3	-2.6
2003:2	-0.0	2.4	0.6	1.8	0.0
2003:3	0.0	3.9	2.1	4.6	2.8
2003:4	0.4	3.4	1.7	3.5	1.8
2004:1	0.8	3.9	2.2	7.2	5.4
2004:2	1.8	4.7	2.4	7.1	4.7
2004:3	1.8	4.5	2.2	6.1	4.3
2004:4	1.8	7.6	5.0	8.9	6.2
2005:1	2.1	7.0	4.9	7.1	5.0
2005:2	1.9	5.3	3.8	6.7	5.1
2005:3	2.2	6.7	5.2	5.7	4.2
2005:4	2.2	4.8	3.5	5.3	3.9
2006:1	1.9	5.6	4.2	4.9	3.4
2006:2	1.7	5.7	4.1	4.9	3.3
2006:3	1.7	6.4	4.6	5.0	3.2
2006:4	1.8	5.9	4.1	5.1	3.3
2007:1	1.9	6.1	4.0	5.2	3.2
2007:2	1.8	6.2	4.0	5.1	3.0

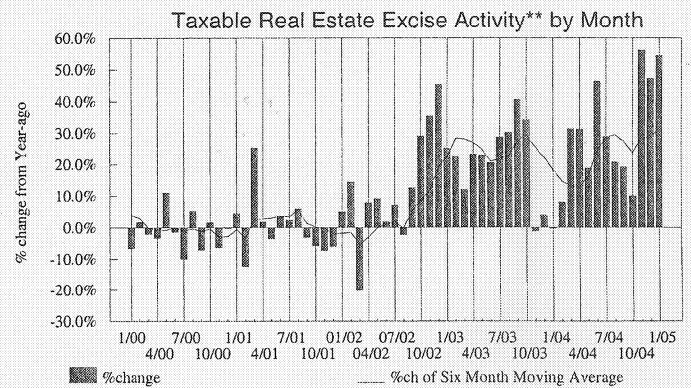
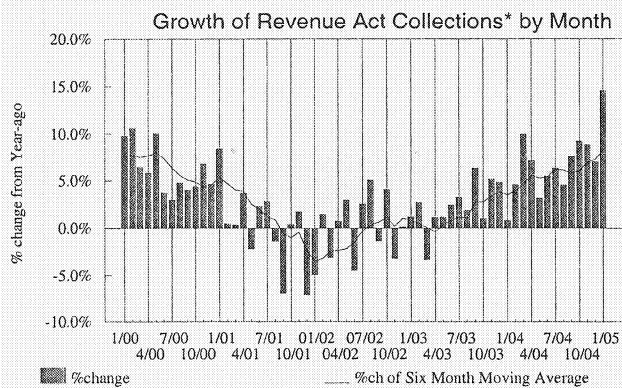
* Based on Revenue Act tax liability (constant rate/base). Deflator for real growth is the personal consumption deflator. Revenue Act consists of the sales, use, B & O, and public utilities taxes.

Pattern of Monthly Growth in Major Revenue Sources

Year-over-Year Percent Change

	<u>Revenue Act*</u>	<u>Real Estate Excise Tax**</u>
--	---------------------	-------------------------------------

Oct. 2003	1.0%	34.2%
Nov. 2003	5.1%	-1.2%
Dec. 2003	4.8%	3.9%
Jan. 2004	0.8%	-0.3%
Feb. 2004	4.6%	7.9%
March 2004	10.0%	31.2%
April 2004	7.1%	31.2%
May 2004	3.2%	18.8%
June 2004	5.5%	46.3%
July 2004	6.3%	28.9%
August 2004	4.5%	20.7%
Sept. 2004	7.6%	19.2%
Oct. 2004	9.2%	9.9%
Nov. 2004	8.9%	56.1%
Dec. 2004	7.0%	47.1%
Jan. 2005	14.6%	54.4%



* Major excise taxes (retail sales, business & occupation, use, public utility). Based on net collections, adjusted for new legislation and special factors. Based on activity period.

** Taxable real estate excise activity based on state real estate excise tax collected by the counties.

General Fund - State Cash Receipts

March 2005 Forecast by Fiscal Year
(Millions of Dollars)

	<u>General Fund - State</u>	<u>Percent Change</u>
Fiscal Years		
1986	\$4,566.2	
1987	5,008.4	9.7%
1988	5,248.1	4.8%
1989	5,686.0	8.3%
1990	6,505.4	14.4%
1991	6,801.9	4.6%
1992	7,297.6	7.3%
1993	7,564.6	3.7%
1994	8,013.4	5.9%
1995	8,551.3	6.7%
1996	8,581.2	0.3%
1997	9,056.6	5.5%
1998	9,640.9	6.5%
1999	9,979.2	3.5%
2000	10,433.2	4.5%
2001	10,828.9	3.8%
2002	10,450.7	-3.5%
2003	10,689.9	2.3%
2004	11,321.2	5.9%
Forecast		
2005	11,909.7	5.2%
2006	12,169.3	2.2%
2007	12,716.0	4.5%

March 2005 Baseline Forecast by Agency
Comparison of Cash and GAAP Basis
(Millions of dollars)

Agency	2001-03 Biennium			2003-05 Biennium			2005-07 Biennium		
	Cash Basis ¹	GAAP Basis ²	Diff.	Cash Basis ¹	GAAP Basis ²	Diff.	Cash Basis ¹	GAAP Basis ²	Diff.
General Fund - State Cash/Revenue Sources									
Department of Revenue ³	\$20,516.6	\$20,570.8	\$54.2	\$22,424.2	\$22,514.0	\$89.8	\$24,087.3	\$24,159.6	\$72.4
Department of Licensing	42.6	44.1	1.6	43.8	45.4	1.6	46.2	47.8	1.6
Insurance Commissioner ⁴	397.3	397.0	(0.3)	458.1	458.1	0.0	505.8	505.8	0.0
State Treasurer	58.2	55.9	(2.4)	49.7	49.4	(0.2)	83.6	84.4	0.9
Office of Financial Management									
Tuition	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Other Agencies	160.9	161.5	0.5	204.9	205.0	0.1	190.9	191.1	0.2
Subtotal: General Fund-State Cash/Revenue⁵	21,175.6	21,229.3	53.6	23,180.7	23,271.9	91.2	24,913.7	24,988.7	75.0
General Fund State - Other Financing Sources⁶									
Department of Revenue ⁷	75.7	75.5	(6.4)	149.2	155.0	5.7	100.2	100.1	(0.1)
Lottery Commission	0.0	0.0	0.0	4.3	4.3	0.0	0.0	0.0	0.0
Insurance Commissioner ⁸	(9.8)	(9.8)	0.0	(14.3)	(14.3)	0.0	(15.8)	(15.8)	0.0
Liquor Control Board	63.5	63.5	0.0	92.7	92.7	0.0	89.9	89.9	0.0
Office of Financial Management									
Other Agencies ⁹	(164.5)	(166.3)	(1.8)	(181.7)	(181.7)	0.0	(202.7)	(202.7)	0.0
Subtotal: GFS Other Financing Sources	(35.0)	(37.0)	(8.2)	50.2	55.9	5.7	(28.3)	(28.4)	(0.1)
Total Available Receipts/Resources									
General Fund-State *	\$21,140.7	\$21,192.3	\$51.6	\$23,230.9	\$23,327.8	\$96.9	\$24,885.3	\$24,960.3	\$75.0

* Detail may not add due to rounding.

1 General Fund-State cash receipts forecast.

2 General Fund-State Revenue Forecast on a GAAP (Generally accepted accounting principles) basis, used to show the state revenue position for financial reporting purposes.

3 Excludes the state share of the timber tax and unclaimed property transfers.

4 Total insurance premiums tax.

5 Other financing sources represent transfers to/from other funds from/to the General Fund.

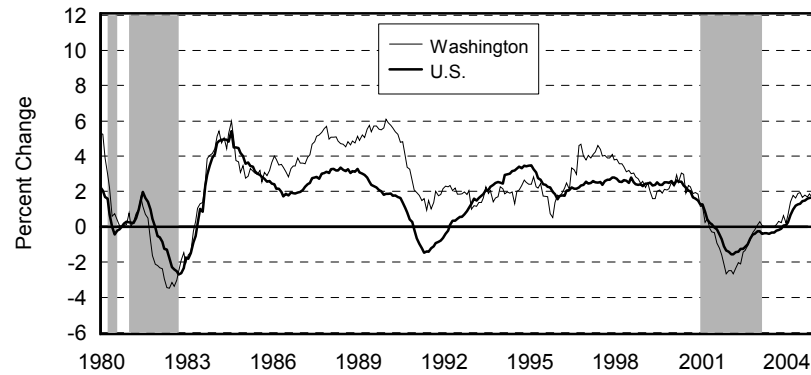
6 Includes the state share of the timber excise tax and unclaimed property transfers.

7 Portion of fire insurance premiums transferred out of the General Fund

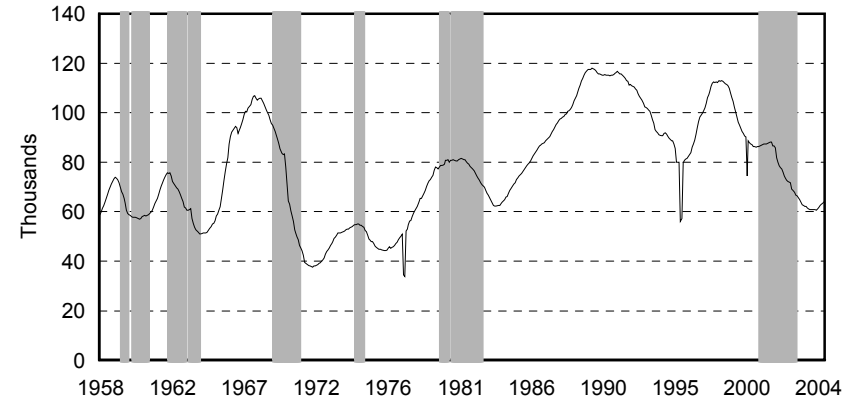
8 Agency 701 and accounting sources: 480 and 481 for all other agencies.

Washington State Economic Indicators

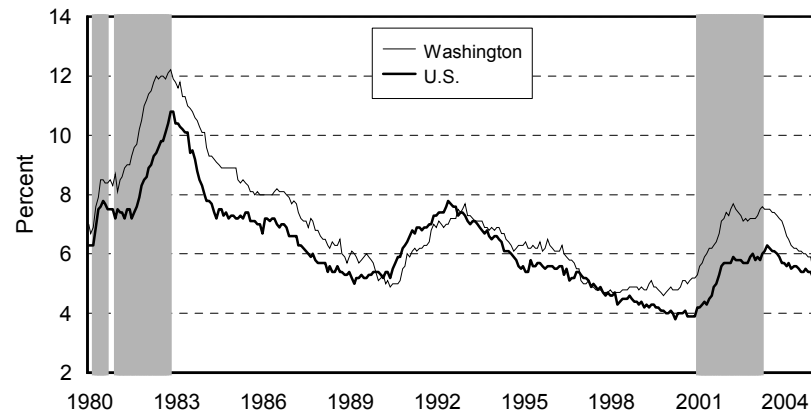
Year-over-Year Employment Growth
January 1980 to February 2005



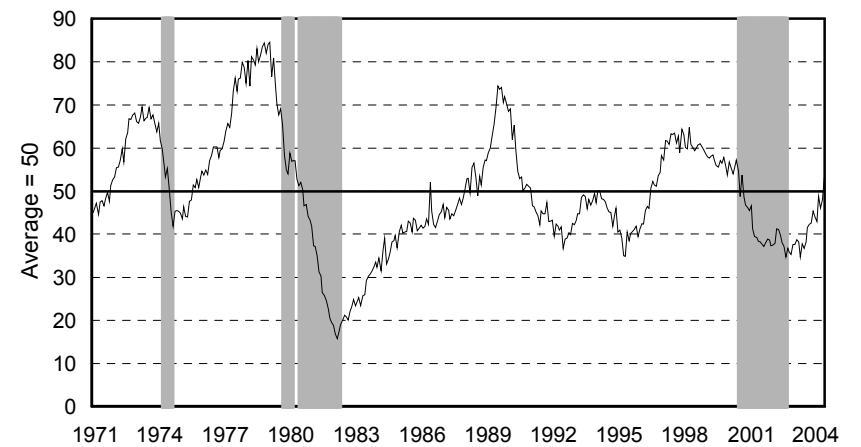
Washington Aircraft and Parts Employment
January 1958 to February 2005



Unemployment Rate, S.A.
January 1980 to February 2005



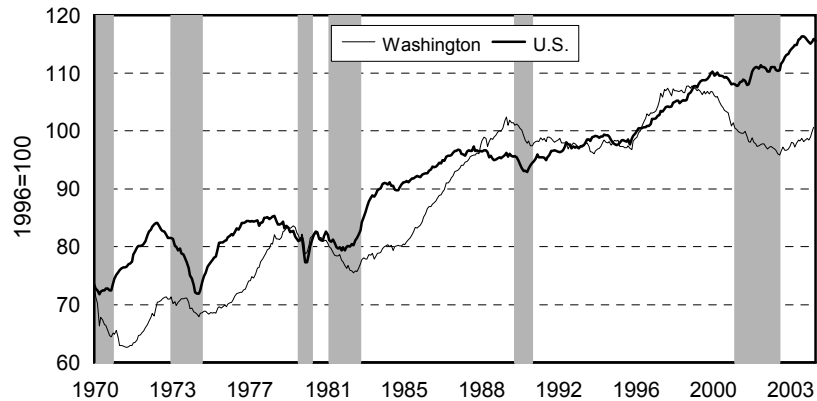
Washington Boom Monitor Composite Index
July 1971 to December 2004



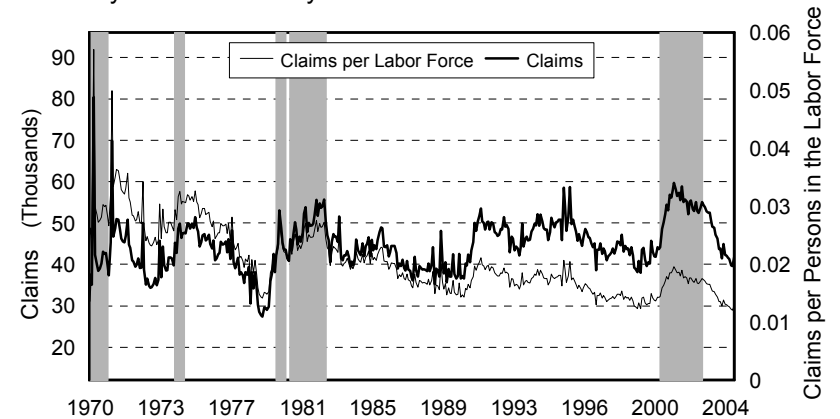
* Shaded areas correspond with Washington employment downturns.

Washington State Leading Indicators

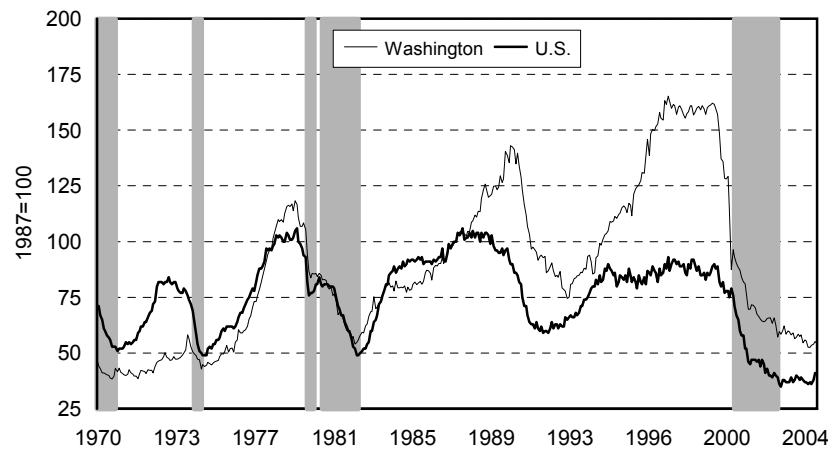
The Washington and U.S. Indexes of Leading Indicators
January 1970 to January 2005 (WA to Dec. 2004)



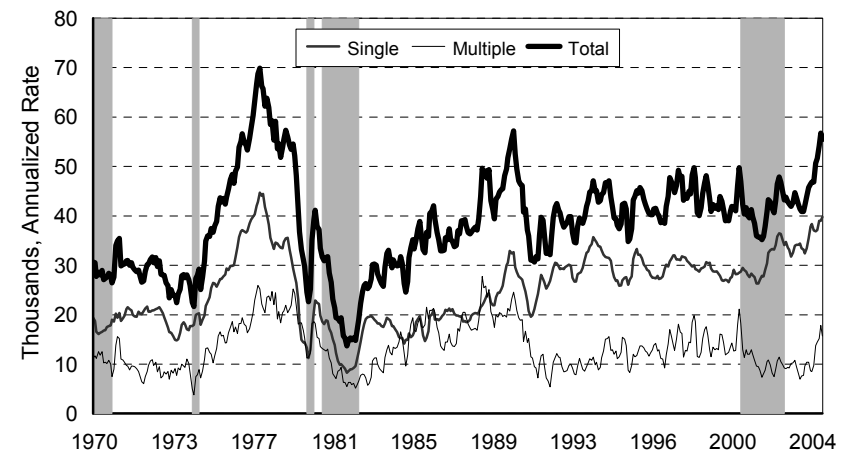
Washington Initial Claims for Unemployment Insurance
January 1970 to January 2005



Seattle Times and U.S. Help-Wanted Advertising Indexes
January 1970 to February 2005



Housing Units Authorized in Washington State
January 1970 to January 2005, 3-Month Moving Average

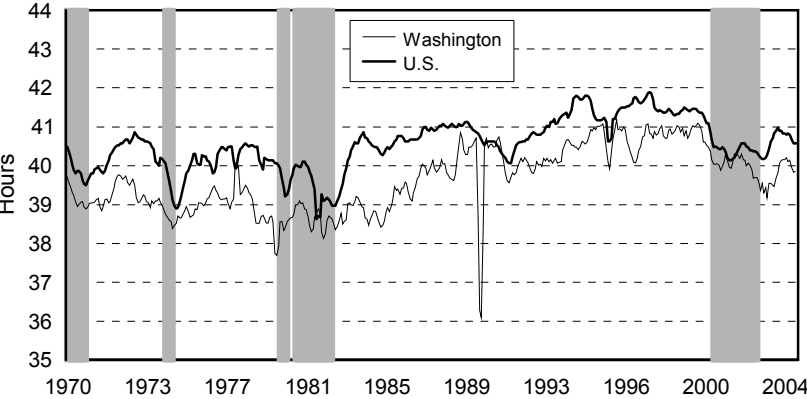


Shaded areas in all charts correspond with Washington employment downturns.

Other State Economic Indicators

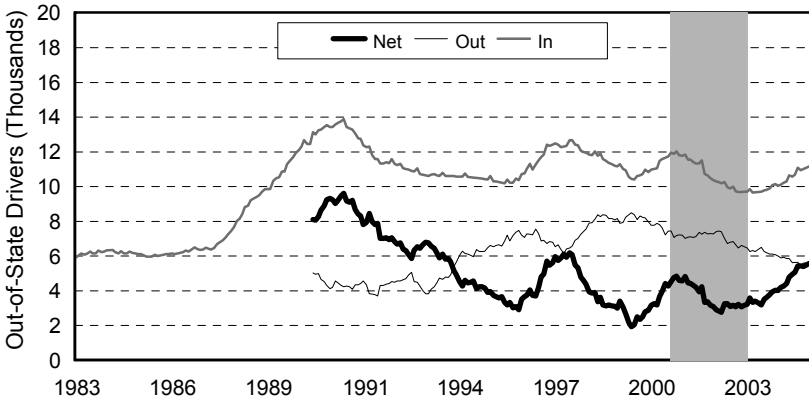
Average Weekly Hours in Manufacturing

Jan. 1970 to Feb. 2005 (WA to 1/05), 3-Mo. Moving Average, SA



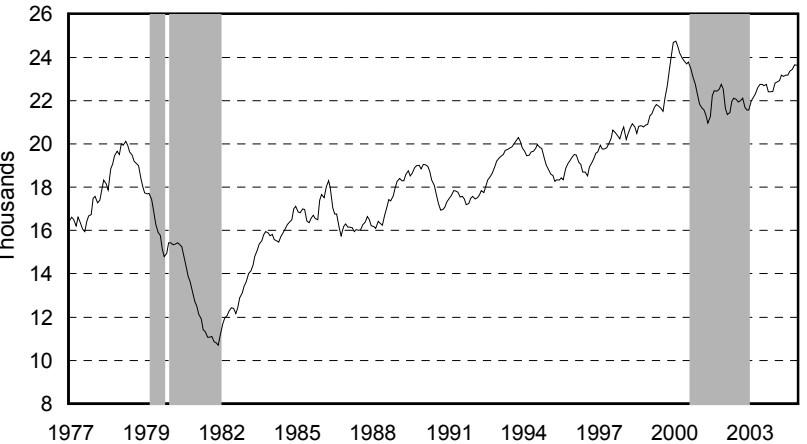
Washington Driver's License Migration

September 1983 to February 2005 12-Month Moving Average



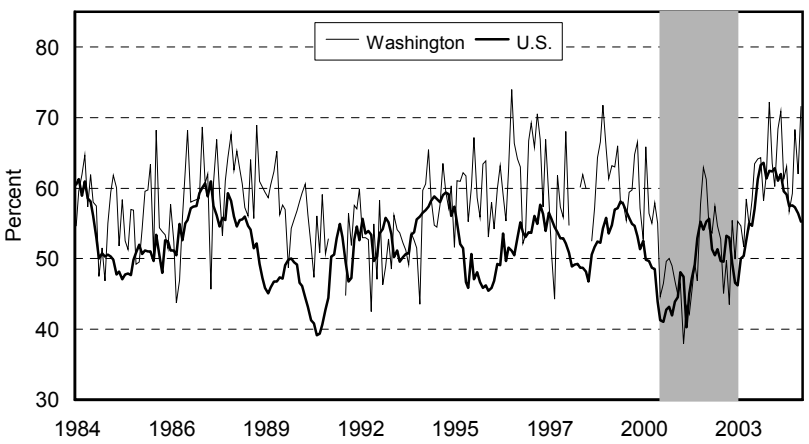
New Car and Truck Registrations in Washington

January 1977 to February 2005, 6-Month Moving Average



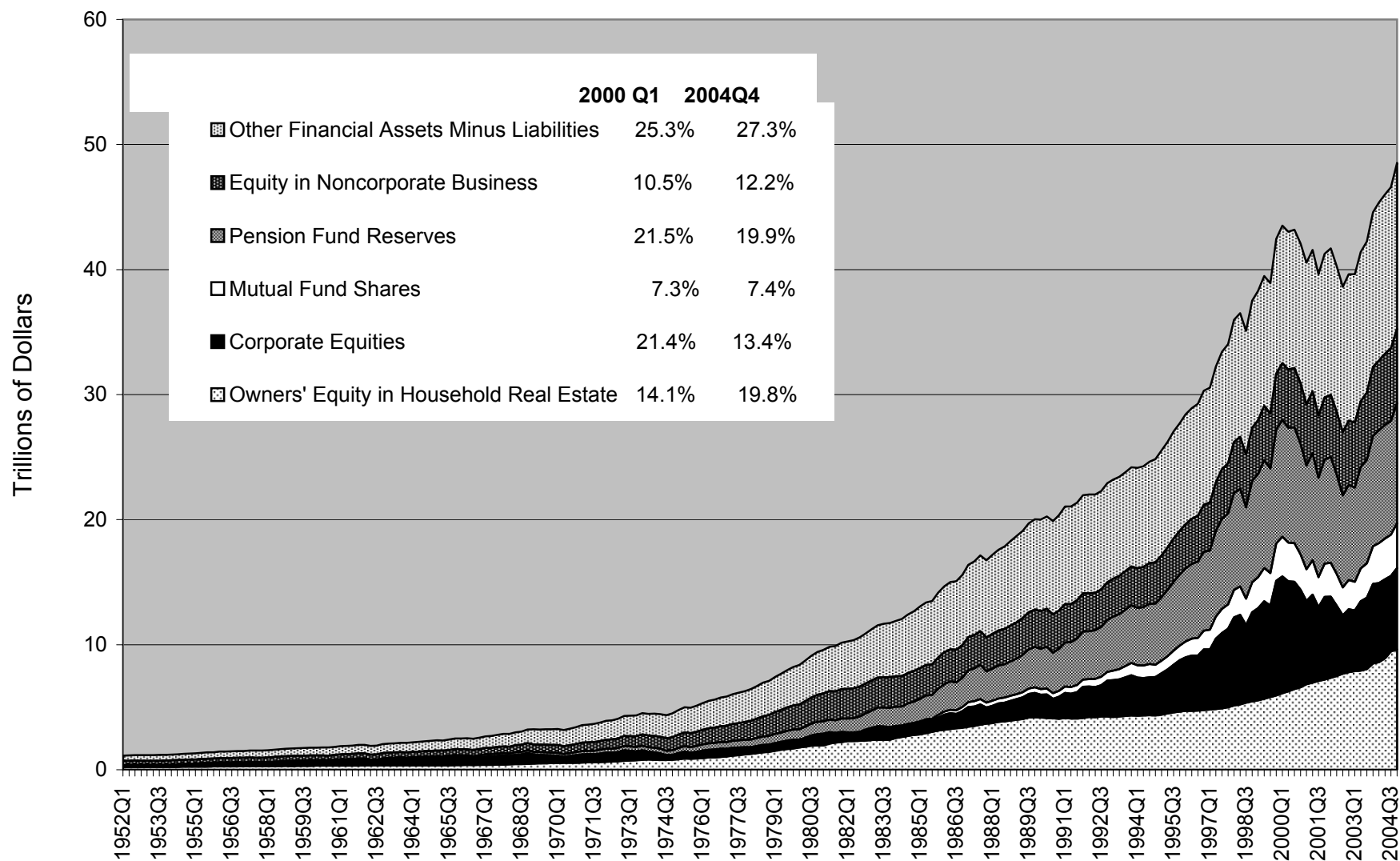
Institute for Supply Management Index

January 1984 to February 2005



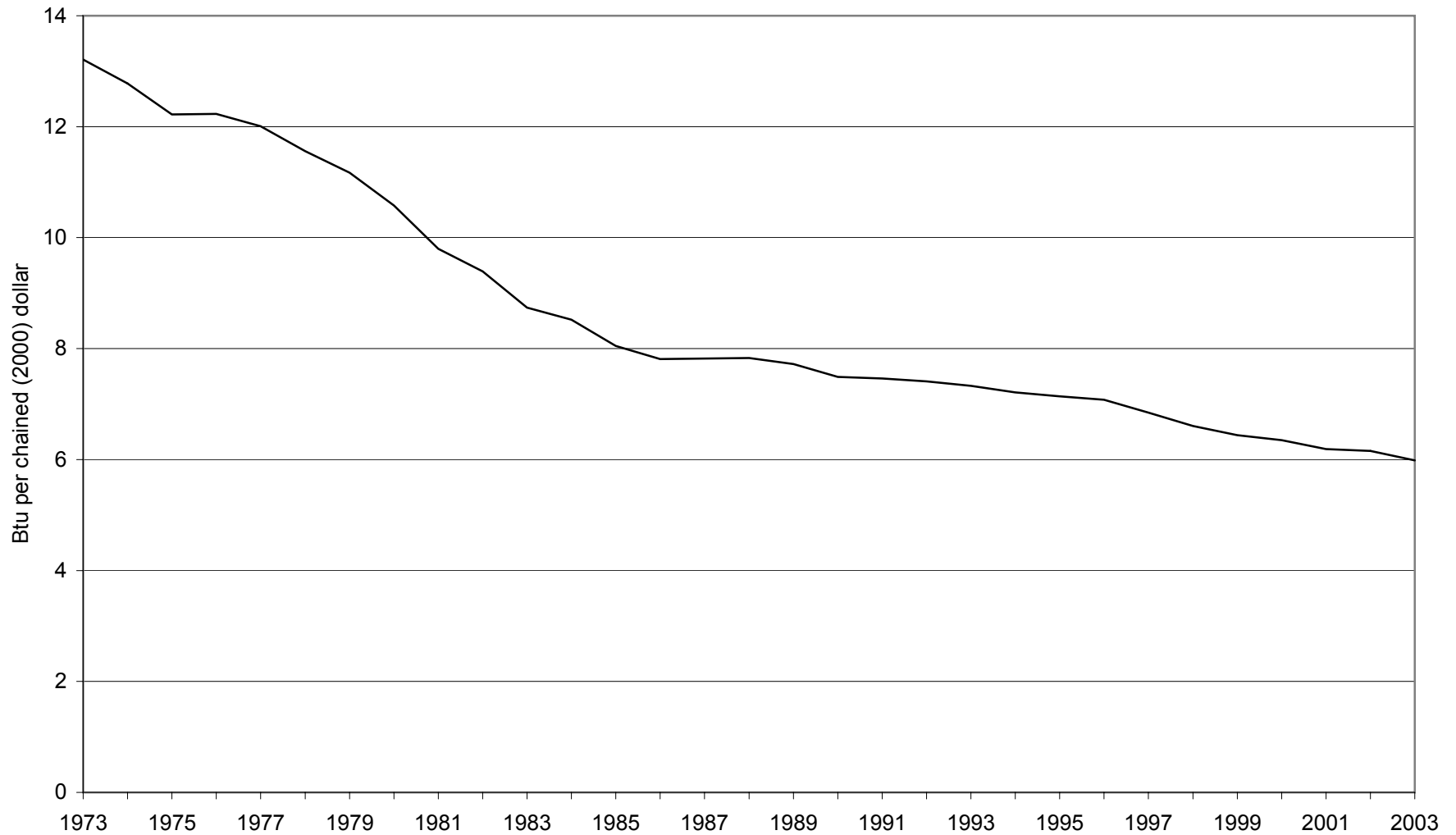
* Shaded areas correspond with Washington employment downturns.

Components of Net Worth 1952-2004Q4



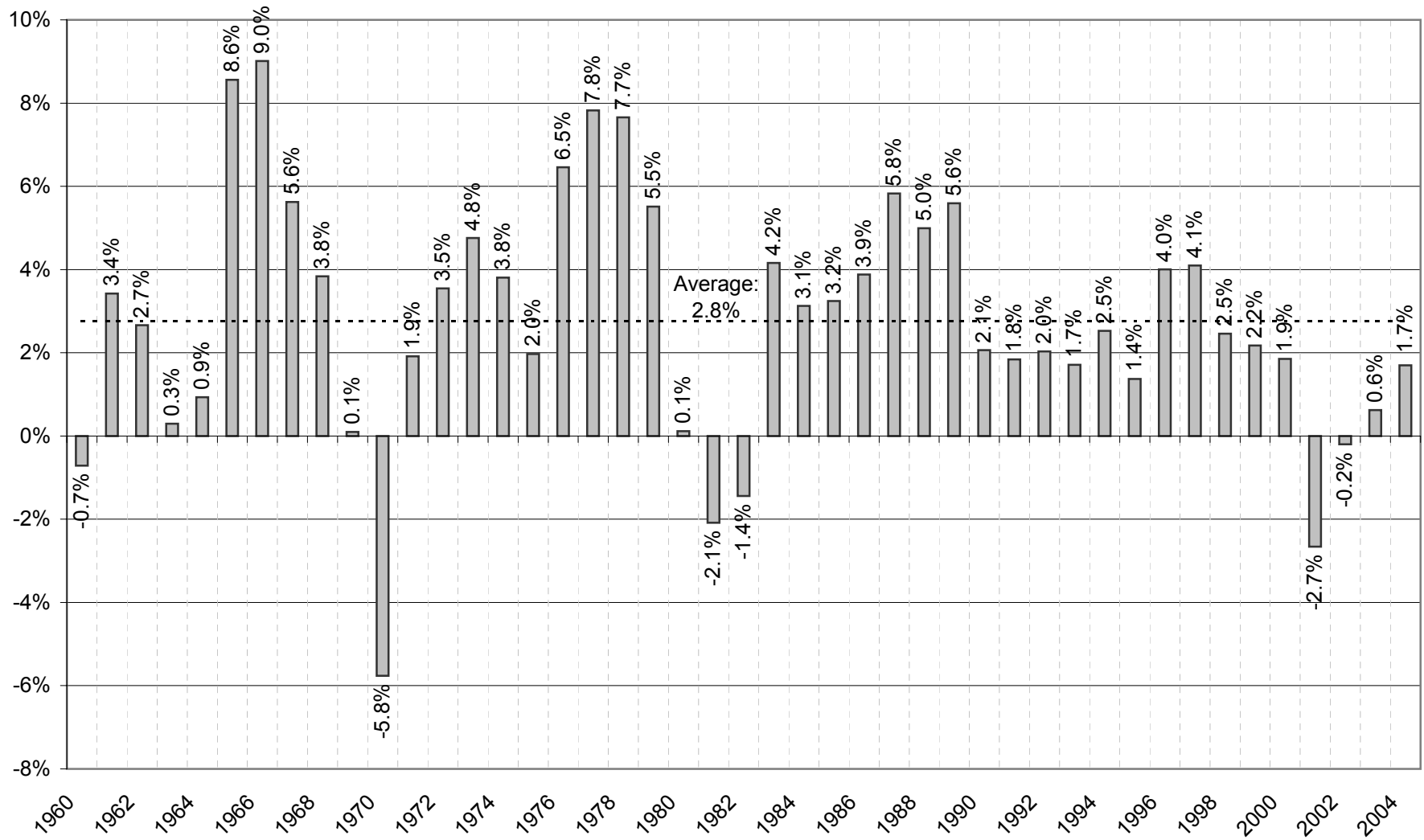
Oil and Gas Prices Have Less Effect on the Economy then in the Past

Petroleum and Natural Gas Consumption per Real Dollar of GDP



Source: U.S. Energy Information Administration

Changes in Washington's Total Employment December to December



Expansions and Contractions in Washington Employment, 1958-2004

